FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER
No. 29,639 | Monday June 3 1985 | D 8523 B



U.S. tax: Reagan deals a clever hand, Page 14

World news | Business summary

# Indefinite Uefa ban on English clubs

**The European football union (Uefa) yesterday banned English clubs indefinitely from inter-club matches in Europe.**

The Uefa executive committee brought its Basle meeting forward a month following the riots at the European Cup final in Brussels last week, in which 38 people died.

Uefa said the case of Liverpool, whose supporters have been blamed for starting the riot before the match against Juventus of Turin, would be referred to a committee for special sanctions to be taken.

## Peace talks

U.S. Secretary of State George Shultz has told Israel the U.S. will try to discuss peace with a Jordanian-Palestinian delegation despite Israeli objections to talks that exclude it, Israeli officials said. Earlier report Page 2

## Shamir in London

Israeli Foreign Minister Yitzhak Shamir arrived in London to brief British leaders about his Government's attitude towards efforts by Jordan to break the stalemate in the Middle East peace process. Page 2

## Star wars warning

West Germany's Free Democrats said they would oppose any attempt by their coalition partners to put the U.S. star wars defence programme ahead of co-operation with France. Page 3

## UK backs Eureka

Britain has decided to support Eureka, a French initiative to stimulate high-technology research and development in Western Europe, the Foreign Office said in London.

## Sindona for trial

Sicilian financier Michele Sindona goes on trial in Milan tomorrow accused of paying a Mafia gunman to kill the official liquidator of his failed business empire.

## Lisbon's future

The future of Portugal's ruling coalition rests with a meeting today of leaders of the PSD, the junior partner. Page 3

## Disaster aid plea

The governors of Ohio and Pennsylvania asked for federal disaster aid to rebuild areas hit by tornados which killed at least 87 people.

## New Caledonia poll

Two Kanak separatist parties in New Caledonia said they would take part in French-run elections planned by Paris as the first stage of ending its 30-year rule in the South Pacific territory.

## Oil price meeting

Ministers from Opec member countries gathered in Saudi Arabia for talks expected to centre on a Saudi call for reductions in some crude oil prices. Page 16

## Bangladesh cholera

At least 46 people in Bangladesh's cyclone disaster zone died from suspected cholera after drinking polluted water. Local officials said they feared a major outbreak.

## Delors 'may quit'

European Commission President Jacques Delors hinted in an interview that he might resign if European politicians did not take greater interest in the EEC, the West German Stern magazine said.

## Beirut evacuation

The Red Cross tried to speed up the evacuation of wounded from Beirut's Palestinian refugee camps after security guarantees. Page 2

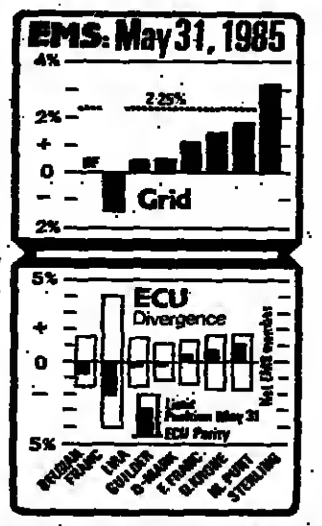
## Indian heat wave

A heat wave in Bihar, eastern India, has killed about 40 people in the past few days as temperatures reached 46C (115F). Most victims were children.

# Swedish devaluation warning by OECD

**SWEDEN** has not found the way to halt erosion of its international competitiveness in the medium term and to avoid a devaluation cycle, says a report by the Organisation for Economic Co-operation and Development. Page 3

**EUROPEAN** Monetary System: the Irish punt remained the firmest currency within the EMS last week.




Trading was rather quiet after the long weekend holiday in the U.S. and UK and ahead of the end of the month. The Belgian franc was a little weaker overall but stayed comfortably within its divergence limit, allowing the Belgian central bank to cut its discount rate, for the third time this month, to 9¾ per cent. Euro-dollar interest rates were also easier but with the exception of Belgium, there were no changes in key European lending rates.

*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

**U.S.** proposal setting conditions for allowing extra imports of steel pipes from the EEC will be presented to member states this week following talks in Washington. Page 5

**ARGENTINA** faces a worsening of its foreign debt crisis, including the collapse of a $4.2bn short-term loan package agreed last year, unless it agrees an economic reform programme with the IMF by next Monday. Page 17

**POLAND** devalued its non-convertible zloty by 16.8 per cent to the dollar and 14.3 per cent to the Soviet rouble. Page 3

**ISRAEL'S** foreign reserves fell by $61m last month to $2.025bn, Bank of Israel said. It was the biggest drop in three months.

**U.S. FEDERAL** and state banking authorities closed a total of seven small banks hit by problem loans to farmers on Friday – the largest number in a single day since the Depression. Page 19

**ECOPETROL**, Columbia's state petroleum company, is planning a fuel mix of 15 per cent sugar-cane alcohol with petrol.

**BRITISH** Petroleum received another setback in its attempts to restructure its 75 per cent-owned Australian mining subsidiary, Seltrust Holdings, when a legal challenge prevented minority shareholders accepting its proposals. Page 19

**APPLE** the U.S. personal computer group which has suffered a fall in profits in recent months, is streamlining its corporate structure and reducing the day-to-day role of Mr Steven Jobs, its chairman and co-founder. Page 17

**SAATCHI & SAATCHI**, the leading British advertising agency, is in talks which could lead to a merger of its Italian subsidiary with MVL, a Milan agency.

**AIRBUS INDUSTRIE** announced a contract to supply eight of its 150-seater A-320 airliners to the Australian airline Amsett. Page 5

# Assad may propose congress of Lebanon rivals

BY TONY WALKER IN DAMASCUS

DETAILS are emerging of President Hafez Assad's comprehensive plan for a settlement of the long-running Lebanese civil war.

According to a well-placed Syrian source, President Assad is proposing a national congress of Lebanon's rival factions – possibly to be held in Damascus under his authority – to establish a committee to draw up a new Lebanese charter.

Representation at such a Congress would be divided equally between Christians and Moslems and would effectively mean an end to Christian domination of Lebanese institutions.

Under a convention following Lebanon's independence from France in 1942, Christians – who were the majority – hold key posts such as the Presidency and important ministries.

The other principal element of President Assad's grand design is that rival factions should sign a petition asking for Syrian troops to move into Lebanon and deprive armed militias of heavy weapons.

Syrians are saying this is the minimum condition for intervention by a deterrent force, but if fighting continues in and around Beirut's Palestinian refugee camps, Damascus may be forced to act sooner.

It seems significant that Palestine Liberation Army units – Palestinians under the command of the Syrian army – who were stationed near Tripoli in north Lebanon have been pulled back to Damascus awaiting redeployment.

There is speculation that these units may play a role in collecting weapons from Palestinian fighters in the camps in the event of a ceasefire agreement.

Palestinian groups in Damascus are adamant that their guerrillas will not hand their weapons to the Lebanese regular army whose mainly Shia Sixth Brigade has been involved in the siege of the camps alongside Amal Shia militiamen.

No details of the presidential discussions in Damascus last week have been released. Mr Amin Gemayel, Lebanon's President who is a Maronite Christian, now has the difficult task of persuading Lebanese Christian factions to co-operate in holding a national congress that would end their domination of government posts.

Of Lebanon's 4m people, 55 to 60 per cent are Moslem and 40 to 45 per cent are Christian.

Christian hardliners have engaged in a bitter struggle since the start of the Lebanese civil war 10 years ago to prevent alteration to the longstanding convention which enshrined Maronite primacy in Lebanon.

President Gemayel will be arguing that concessions are now necessary because there is no alternative if Lebanon is not to disintegrate completely.

A significant recent development in the Christian camp was the change of command in the mostly Maronite militia, the Lebanese forces. Mr Elie Hobeika, the new supremo, is apparently reconciled to an accommodation with Syria and all that it implies.

There is a suspicion in Damascus that the wire-guided rocket which slammed into President Gemayel's palace last week shortly before he was due to leave for his Damascus summit with President Assad was fired by a Christian dissident opposed to what some hardline Maronites regard as the capitulatory policies of the Lebanese leader.

It is not clear how soon President Assad proposes to hold a national congress to rewrite the ground rules for Lebanon, but according to Syrian sources it is "soon."

The immediate problem for both Syria and all Lebanon's rival factions, however, is the continuing bloodshed in Beirut between Shia Moslems and Palestinian guerrillas in the camps of Sabra and Chatilla and Bourj el-Brajneh, which is threatening to spread to other parts of Lebanon.

Until that bitter conflict is resolved, it appears that little can be done about political, constitutional and security reforms.

According to a Syrian source, President Assad "is not in a hurry" to send troops into Lebanon to benefit one or other of the rival factions. In this instance it would be the Shias who have, in any case, massively extended their power and influence in Lebanon since Israel's ill-advised invasion and occupation starting in June, 1982.

The view from Damascus appears to be that the Amal leadership of Mr Nabih Berri will first have to resolve the crisis in the camps before other steps are taken.

But the problem for the Syrians

Continued on Page 16

# Airlines asked to help plan design of two new Airbuses

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN PARIS

AIRBUS INDUSTRIE, the European aircraft manufacturer, has set up a small study group of major airlines to help it to define two new additions to the Airbus series of airliners – the twin-engined, short to medium-range TA-9, and the long-range four-engined TA-11.

The names of the airlines participating in the study were not disclosed, but one of them is believed to be Lufthansa of West Germany, while Pan Am of the U.S., which last week signed a $1.1bn deal for 28 Airbuses, may also join the group. All of the airlines are likely to be eventual customers for the two new types of aircraft.

No development decisions have yet been taken on either aircraft. All that Airbus Industrie is prepared to say at present is that they could enter service during the 1990s, according to market demand, and provided a large enough requirement justified the investment involved.

This could amount to up to $1bn for each aircraft, and the member governments of Airbus Industrie – the UK, France, West Germany and Spain – would have to put up a substantial volume of launching aid for each venture.

The TA-9 would be capable of carrying about 330 passengers over distances of 3,200 nautical miles. It would effectively replace existing three-engined jet airliners such as TriStars and DC-10s on short to medium-range routes, introducing twin-engined economy to this larger aircraft category.

The TA-11 is envisaged as carrying about 250 passengers over very long distances, upwards of 5,500 nautical miles. This would be suitable for the so-called "long thin" routes, where airlines require an aeroplane capable of flying long distances but without the large number of seats that have to be filled with today's Boeing 747 Jumbo jets.

Airbus Industrie said at the Paris Air Show over the weekend that the two new aircraft, when developed, would have the maximum number of common elements to keep down the development costs and reduce the Airbus Industrie investment in the new ventures.

One of the common elements would be an all-new wing that both aircraft would share. It would have an entirely new aerodynamic shape to give greater speed with less drag and improved fuel economy, and it would probably be designed and built by British Aerospace which already builds all the Airbus wings.

Other new developments envisaged would be improved cockpit layouts and flight control technologies to ensure that both aircraft were fully abreast of all advances in airliner design for the late 1990s and early into the next century.

Airbus for Australia, Page 5

# Right set to renew attack in Greek poll

By Andriana Ierodiaconou in Athens

GREECE went to the polls yesterday to decide whether to vote for another four years of socialist rule, or to return the Conservatives to power. Results are not expected until late in the day.

The main competitors in the 1985 general elections are Mr Andreas Papandreou's Panhellenic Socialist Movement (Pasok), which came to power for the first time with a landslide majority in 1981, ending nearly half a century of right-wing rule, and the conservative New Democracy party, which is mounting a renewed challenge under the leadership of Mr Constantine Mitsotakis, a former Cabinet minister.

The dark horse in yesterday's electoral race was the pro-Moscow Communist Party of Greece (KKE) which won 11 per cent in 1981, and is now bidding to attract enough voters from the left fringe of Pasok to force the Socialists into a coalition in the event of a tie with the conservatives.

Predictions were difficult yesterday because of a lack of reliable opinion polls. But the result was expected to be determined to a large degree by the estimated 7 per cent of voters still undecided on the eve of the elections between the two main parties.

One of the many incalculables in yesterday's vote was the possible effect on the Greek public of a dramatic Friday night warning by Mr Constantine Karamanlis, former conservative president, not to vote left, or risk leading the country into domestic and eternal dangers.

Swedish Socialists lead opinion poll, Page 3

# Reynolds and Nabisco agree $4.93bn merger

BY PAUL TAYLOR IN NEW YORK

R. J. REYNOLDS, the second largest U.S. tobacco group, and Nabisco Brands, the U.S. food and packaged goods group, yesterday agreed to a merger deal valued at $4.93bn to create the biggest consumer products group in the U.S. with annual sales of more than $19bn.

Under the terms of the agreed bid, Reynolds, whose cigarette brands include Winston and Camel and which owns Gallaher, the UK tobacco group, said it would begin an $85 a share cash tender offer for 51 per cent of Nabisco's 58m outstanding shares tomorrow.

It would complete purchase of Nabisco through an exchange of paper with a similar value for the remaining 49 per cent. The announcement ends several days of Wall Street speculation that a deal was imminent. Last Wednesday, Nabisco's shares were temporarily suspended before the company confirmed it was holding exploratory talks with Reynolds. The agreed bid is in line with Wall Street expectations.

The deal, if completed, would mark the latest in a series of recent multi-billion dollar mergers in the U.S. food and consumer products industry which include Beatrice's acquisition of Esmark and Nestlé's acquisition of Carnation. Based on the almost $5bn valuation of Nabisco implied by the proposed tender offer, it would also represent the biggest non-oil merger in history.

Nabisco, which reported net earnings last year of $308.9bn on sales of $6.25bn, has reportedly been looking for a merger partner for some time. On Friday its shares closed up $2⅝ at $82⅝, a new 12-month high and more than double its $38½ a share 12-month low. The group's shares, which gained more than 50 per cent in the first four months this year, shot up almost $11 a share in hectic trading last week.

The Reynolds takeover bid for Nabisco, which is the leading biscuit manufacturer in the U.S. and whose brand products include Oreos cookies, Ritz crackers and Bubble Yum Gum, is expected to receive a warm welcome on Wall Street because at $85 a share it represents about 15 times 1984 earnings and a very healthy premium over market value.

For Reynolds the deal appears to reflect its determination to become a consumer products powerhouse and lessen its dependence on cigarettes.

The group has recently been selling and buying assets in order to strengthen its consumer products division. Last year, Reynolds, which owns the Kentucky Fried Chicken fast-food restaurant chain and Heublein liquors, reported net earnings of $1.21bn on revenues of $12.97bn.

**Reuter adds:** Mr J. Tylee Wilson, 53, chairman and chief executive officer of Reynolds, will hold the same posts in the expanded company.

# Chirac puts emphasis on cuts in tax and state role

By David Housego in Paris

FRANCE'S neo-Gaullist movement, the largest of the opposition parties, has confirmed its further shift to the right by adopting a Reagan-style electoral platform of tax cuts and deregulation to revive economic growth.

At a special congress outside Paris at the weekend, 4,000 delegates from the RPR agreed on a draft manifesto for next March's parliamentary elections that would include action within six months to lift price and exchange controls, make it easier for companies to declare redundancies, privatise industries nationalised in 1982 and cut taxes by FFr 40bn ($425.9m).

M Jacques Chirac, the Mayor of Paris and leader of the RPR told his supporters that it would be suicidal for the opposition to propose a continuing period of austerity and deflation. He said the Gaullists were proposing 10 "shock" measures to inject fresh dynamism into the economy by breaking the "corset of taxation and regulation that is strangling it."

M Chirac said that governments must first decide the amount of taxation a country was prepared to pay and then to deduce from this the level of public expenditure.

The congress was called to define the Gaullist's position before next weekend's gathering of the parliamentary opposition parties which intends to lay the basis for their joint campaign leading up to the March elections. It was held at a time when M Chirac had been losing ground politically both to the extreme right-wing National Front, led by M Jean Marie Le Pen, and to the centre of M François Leotard.

The Gaullists' conversion to Reaganomics – although in line with the general consensus in France towards more liberal policies – has paradoxically come at a time when Mr Reagan in the U.S. and Mrs Margaret Thatcher in Britain are experiencing disenchantment with their policies.

While emphasising the need for unity among the opposition, M Chirac held his distance from M Raymond Barre and M Valery Giscard d'Estaing – his potential rivals for the presidency. M Chirac said the Gaullist programme marked a break both with the Socialists and with the conservative "dirigism" that marked the last years of M Giscard d'Estaing's presidency.

If the Right gained a majority in the National Assembly next year, the Gaullists would be the most powerful element in a new govern-

Continued on Page 16

# Order books in UK industry expand to record levels

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

ORDER BOOKS in UK industries reached record levels last month according to a survey of manufacturing companies by the Confederation of British Industry (CBI), the employers' body.

The generally optimistic picture of the British economy was supported yesterday by a report from the London Business School's centre for economic forecasting on the world economy.

This predicted that the present slowdown in world activity would be "no more than a pause in the recovery which began in late 1982." The centre says that lower U.S. interest rates and a continued weakening of the dollar will enable the U.S. economy to recover from its recent weakness in output.

"The prerequisite is a realistic set of measures to cut the U.S. budget deficit. In our view these are now in train and the weaker dollar, which we are already seeing, together with lower interest rates, should permit a resumption of growth both in the U.S. and elsewhere in the second half of the year."

A fall in the dollar would not only aid the U.S. but would help interest rates outside the U.S. to fall. This would assist Europe and Japan, where domestic demand was at present weak.

Answers to the CBI's monthly trends survey show that order books in the UK continued the steady pattern of improvement which started last September. In May, the 1,596, companies in the survey said that total order books were on average about "normal." Since 1977, when the monthly survey was introduced, a balance of companies have consistently reported order books to be below normal.

Although expectations of future output have moderated since March and April, they remained at a higher level than in the second half of last year. Strongest order books were reported in the chemicals, electrical and instrument engineering industries.

The survey also suggested that price increases are likely to moderate over the next few months, reflecting the improvement in the exchange rate since February.

The balance of companies expecting to raise prices over the next four months was 26 per cent, the lowest response since September last year.

A balance of 21 per cent of companies expected output to rise in the four months from May, compared with balances of about 27 per cent in the previous two months. However, the May result was closely in line with those recorded in surveys at the turn of the year, and significantly better than those from last summer.

Companies continue to say that their stocks are more than adequate. The 10 per cent balance reporting excessive stocks in May was similar to results in previous surveys during the last year.

In a special article in a CBI economic report today, it is estimated that UK competitiveness improved further in the first quarter of this year, although the improvement is ascribed to the effect of the exchange rate



CONTENTS

**John Elliott** on fears on the anniversary of the Golden Temple battle

# Sikhs threaten to take revenge

INDIA'S MOST extensive security operation for many years has been mounted in the capital of New Delhi and in northern states to prevent violent attacks during a Ghalugharia — or week of genocide — called by Sikh extremists to commemorate the army takeover a year ago of their Golden Temple headquarters in Amritsar.

Sikh terrorism is posing serious problems for the Indian Government, and unusually tight security will accompany Mr Rajiv Gandhi, the Prime Minister, when he leaves on Wednesday for a two-week foreign tour which will include visits to France and the U.S.

The U.S. Federal Bureau of Investigation recently uncovered a Sikh plot to assassinate Mr Gandhi while he is in the U.S. next week. Security experts have flown from India this weekend to vet the protection that is being provided abroad. Canada and the UK have been asked to stop Sikh militants crossing into neighbouring U.S. and France.

In India a massive security operation has been set up to try to curb Sikh extremists striking back this week in vengeance for the 1,000 Sikhs killed during the Golden Temple battle which started a year ago tomorrow.

India's border with Pakistan has been closed and it is being closely guarded by para-military security forces. Pakistan is believed to be harbouring para-military security forces.

Observers estimate that over 100,000 troops and police have been stationed in Punjab where thehre are believed still to be over 2,000 terrorists despite massive army action during the past year aimed at rounding up all dangerous extremists.

At the end of last week four Hindus were killed in two Sikh attacks, and there are reports that Hindus are preparing to strike back, which would cause serious communal violence.

In New Delhi senior police officers are bracing themselves for sporadic bomb attacks at any time following bombings three weeks ago which killed more than 80 people.

They have arrested37 out of 45 to 50 Sikhs believed to be responsible and are comparing the problems they have to face with the difficulties posed in London by irregular IRA attacks.

Both the police and senior Government ministers seem to be reluctantly accepting that the security crisis in the Punjab, and the risk of terrorist attacks in Delhi and elsewhere, may continue for a long time.

Prospects for a settlement some time in the future of the Punjab's economic and political issues which lie behind the crisis have improved with the reinstatement during the past few days of Mr Sant Harchand Singh Longowal and two other moderate Sikh leaders, at the head of the Sikh's Akali Dal political party.

The three had resigned after a new figure appeared at the top of Sikh politics—Mr Baba Joginder Singh, father of Mr Jarnail Singh Bhindranwale, the leading extremist who was killed in the army battle a year ago.

Mr Joginder Singh emerged from obscurity a few weeks ago as a figure-head leader of the most militant Sikhs but has not been able to hold his ground against moderates who persuaded Mr Longowal and his colleagues to return to their old posts.

But Mr Joginder Singh, and the militant youth he leads, remain a major stumbling block to a peaceful solution in the Punjab.

**Mr Rajiv Gandhi, Indian Prime Mioister, was yesterday asked by president Junius Jayawardene of Sri Lanka to help solve the island's growing internal security crisis, writes John Elliott in New Delhi.**

**As the first-ever talks between the two leaders got under way in New Delhi, reports arrived from Sri Lanka that extremists had killed at least 7 people in raids on villages of the majority Sinhalese population near the north-eastern city of Trincomalee.**

**In attacks on a police station and Naval camp in Trincomalee, several policemen and 30 naval personnel were killed, according to spokesmen for the main extremists' organisation, the Tamil Tigers.**

**Mr Gandhi and Mr Jayawardene had more talks during a six hour flight to and from the cyclone hit areas of Bangladesh. They will meet again this morning.**

**Mr Jayawardene is being urged by Mr Gandhi to do more to solve his island's ethnic problems which are based on claims by the Tamil minority race for some form of devolution or independence in their northern and eastern areas.**

## U.S. move on Mideast divides Israeli Cabinet

BY DAVID LENNON IN TEL AVIV

THE possibility that the U.S. may soon hold talks with a joint Jordanian-Palestinian delegation on ways to renew the pease process in the Middle East has divided the Israeli Cabinet.

Some ministers fear this will lead to back door recognition of the PLO by the U.S. and have demanded that Jerusalem immediately informs Washington that Israel opposes this development.

Speaking after the Cabinet meeting yesterday Mr David Levy, a deputy premier and Housing Minister, said "It is de facto, back door recognition of the PLO."

He demanded an immediate reply by Israel rejecting what he called the contradictory position taken by the U.S.

But in an effort to prevent an open rift within the national unity government Mr Shimon Peres, the Prime Minister, urged restraint until it is known which Palestinians will participate in the talks.

The moves by the U.S. emerged in a message which Mr Peres received on Saturday from Mr George Schultz, the U.S. Secretary of State. In the message he said that Washington will move in the coming weeks to hold preliminary discussions with such a delegation.

This follows the visit to the U.S. last week by King Hussein of Jordan, whose declaration about his willingness to enter into peace talks was described in the Schultz message as a step forward in the peace process.

Mr Yitzak Shamir, the vice premier and Foreign Minister, said yesterday that he does not consider anything positive came out of King Hussein's visit to the U.S. Mr Shamir said King Hussein has only added obstacles to peace negotiations by calling for an international conference.

He also rejected American suggestions that Israel should take part in negotiation with members of the Palestine National Council, who are not members of the PLO. Mr Shamir stressed that the PNC is a part of the PLO and that the leadership of the PLO is elected by the PNC.

## Red Cross evacuates 29 from Beirut refugee camp

BY NORA BOUSTANY IN BEIRUT

THE International Committee of the Red Cross yesterday evacuated 29 wounded from the besieged and crowded Palestinian refugee camp of Bourj al-Barajneh as accounts filtered ont of severe food and water shortages.

It was the second evacuation in two days. On Saturday, the ICRC managed to bring out 32 seriously injured fighters and civilians. Since the fighting started two weeks ago between Shi'ite militiamen and Palestinian guerrillas seeking to re-establishe their military power in Lebanon, the Red Cross has organised successfully only three rescue missions in Bourj al-Barajneh, the largest of the three Palestinian camps on the edge of Beirut.

Conditions inside were described as miserable with the residents eating cats and dogs and drinking from the sewers.

Angry Shi'ite militiamen milled around the Red Cross convoy of six ambulances as officials of the Shi'ite Amal movement and Swiss delegates argued about guarantees for the convoy's safety.

On Saturday, after militiamen searched one of the ambulances, a routine procedure, a young man, visibly weak from his wounds, was pulled out and questioned. Amal insisted he was "Lebanese" and did not have to go with the others.

Hospitals in west Beirut are not considered safe for Palestinians, where the dominant Shi'ite militia is in control. All of the 93 wounded transport out of Bouj al-Barajneh since May 28 have been taken to hospitals in the Druze-held mountain town of Chweifat.

Yesterday five of the Palestinian casualties were pulled out and one was seen having his bandages and intraveinous tube ripped out by militiamen at the exit of the camp. They were then returned after the ICRC representatives protested to Amal officials.

Before it started, a hail of sniper bullets sprayed passing cars just west of the camp entrance. At the end of yesterday's mission the explosion of shells could be heard after the convoy had left for the Kamal Jumhlat hospital in Chweifat.





هكذا من الأصل

# Inflation 'remains the key problem for Sweden'

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SWEDEN HAS still not found an effective means to stop erosion of its international competitiveness over the medium term and to avoid a devaluation cycle, the OECD claims in its latest economic survey on the country.

The Organisation for Economic Co-operation and Development says that the control of inflation remains the key problem for Swedish economic policy.

The report, published today, was compiled before the Government was forced to respond to Sweden's deteriorating economic position three weeks ago with an emergency package of monetary and fiscal measures which forced interest rates up to the highest real level in Europe.

The OECD also says that "sustained efforts" must be made to bring down the budget deficit further and pave the way in the long run for reducing the tax pressure.

Sweden has the biggest public sector and the heaviest tax burden of any of the industrialised countries. The OECD says that the tax pressure would seem in several respects to distort resource allocation in the Swedish economy.

The OECD accepts that the economic strategy pursued by the Social Democratic Government since it was returned to office in September 1982 – chiefly the 16 per cent devaluation of the krona in October 1982 – has "improved Swedish economic performance in several respects relative to the sluggish trends prevailing in the 1970s and early 1980s."

Industrial production fuelled by rapidly growing exports has regained the ground lost since 1974; business profitability has increased sharply and several structural imbalances have been eased. At the same time unemployment has been kept at a very low level compared with other countries.

The OECD is clearly sceptical however about whether such progress can be sustained. "That these gains have not yet been consolidated is in part reflected in a continued unfavourable development of Sweden's relative inflation performance," it says.

The OECD says that measures taken over the past year to try to control prices and labour costs – chiefly the 5 per cent wage costs guideline agreed with unions and employers and the imposition of a price freeze – are not likely to be effective over longer periods.

The OECD forecasts weaker economic growth in both 1985 and 1986, but says that room for adjusting economic policy accordingly is extremely limited. "Continued fiscal retrenchment is clearly necessary," it says.

# Socialists take lead in Swedish opinion poll

By our Nordic Correspondent in Stockholm

SWEDEN's socialist bloc, the ruling Social Democrats and the Communists, are leading the opinion polls for the first time in a year.

The latest Sifo poll, less than four months before September's general election, gives the two Socialist parties 49.5 per cent of the poll compared with 48.5 per cent for the three centre-right opposition parties.

The Social Democrats are in a minority in the Riksdag, the Swedish parliament, but have a majority with Communist support.

The poll was conducted amid two events which were expected to seriously damage the Social Democrats' chances of re-election—the three week civil servants' strike and the imposition of a severe credit squeeze to halt soaring imports.

The Sifo pollsters said support for the Social Democrats did appear to be declining towards the end of the latest poll period, but Mr Olof Palme, the Prime Minister, seems to have gained public support for his secret intervention during the strike which paved the way for a settlement.

The election campaign is increasingly polarising into a fight between the two main parties, the Social Democrats and the Swedish Conservative Party, both of which improved their standing in the latest poll—the Social Democrats to 44.5 per cent and the conservatives to 30.5 per cent.

For the Social Democrats the May poll was the fifth month running that they improved their position from their lowest ebb since the end of 1984.

The traditionally important Centre of the Swedish political spectrum is increasingly being squeezed and both the Centre and Liberal Parties have lost ground.

# Kohl faces coalition dissent on SDI

BY PETER BRUCE IN BONN

THE FREE Democrats (FDP), junior partners in the right-of-centre Bonn coaltion Government served notice this weekend they would oppose any attempt by the West Germao Government to give priority to the U.S. Stralegie Defence Initiative (SDI) over strengthened research co-operation with France, which has rejected invilations to participate in SDI.

Resolutions adopted at a policy making committee meeting of the FDP in Neuss yesterday make it quite clear thal the FDP regards Bonn's partcipation in the French-inspired Eureka technological project as far more important than winning SDI contracts from the U.S.

The weekend meeting is likely to make it even more difficult for Chancellor Helmul Kohl to continue trying to please both Washington and Paris with promises of supporl for both projects.

Differences between Herr Kohl and French President Francois Mitterrand over SDI which were not resolved al an extraordioary summit between the two men lo southern Germany last week, have placed enormous strains on Herr Kohl's attempts to achieve eloser ties with the French as a prelude to revitalising European unity, a notion be cherishes.

Herr Hans Dietrich Genscber, Foreign Minister and former leader of the FDP, said after the meeting in Neuss it was important that Germany remained "fully indepeodent of SDI."

"We are convinced," he said, "that French willingness to build up the closest co-operation with us in all areas represeots a great moment for Europe that one cannot allow to pass."

The FDP, while not rejecting participalion in SDI out of hand, bas delivered probably the most positive remarks on Slar Wars.

Herr Martin Bangemann, Economics Minister and new leader of the FDP, said the party's conditions for agreeing to participation in SDI remained the insistence on equality of partnership, two-way technology transfer, a joint European approacb and no automatic leap from the research phase of SDI into an operational phase.

Civen that the U.S. is not askiog the Europeans to fund SDI research, a number of observers bere believe the FDP position amounts to ao outright rejection of SDI. The weekend conference repeated fears already expressed by Herr Genscher that space weapons could destabilise the existing balance of power, based on earth-bound weapons, and made war belween the super clearest signal yet on the subject to Herr Kohl from within the coalition. The Chancellor has seemed in the past two months to vacillale between caution and outright support for President Reagan's Star Wars plans.

The U.S. leader's recent visit here coincided, not surprisiogly, with the German Chaocellor's powers more, rather than less, likely.

# Marcos may seek U.S. help against rebels

PRESIDENT Ferdinand Marcos said yesterday the Philipptnes mighl have to call for U.S. military help if communisl rebel insurgency becomes too great. Reuter reports from Manila.

"If the integration of aid and foreign-traioed troops is so massive that it is the equivaleol lo outrighl atlack, then we may have to ask for the help of allied troops as provided for in the mutual defence pact," he said in a slalement. It is believed lo be lhe first admission by President Marcos that he might need outside help to crush the insurgency.

The presidential palace issued the statement afler publisbed reports of an interview which quoted bim as saying he might ask the United Siates for combat troops if communist insurgency got out of control.

The slalement did not refer specifically to U.S. troops, except lo meolion the mutual defence pact.

However, palace officials said that under the defence pact, "the Philippines and the United States would come to each other's aid, in accordance witb their constitutional processes, in the case of external aggres-

## Iran and Iraq in counter attacks

Iran and Iraq pounded each other's lowns aod cities in air, missile and artillery strikes yesterday as the latest flare-up in the 56-month-old Gulf war entered its second week, Reuter reports from Bahrain.

Iran said its aircraft and artillery attacked military and industrial targets in 15 Iraqi towns in reply lo Iraqi raids on Iranian civilian centres.

# PSD holds meeting vital to Portuguese coalition

BY DIANA SMITH IN LISBON

THE FUTURE of Portugal's troubled centre-left Government hinges on the outcome of today's meeting of leaders of the Social Democrat Party (PSD), controversial junior partner in the two-year-old coalition.

The PSD executive will give its final response to an ultimatum issued by Sr Mario Soares, the socialist premier, to either actively work in the coalition nntil 1987 — and not back a hostile candidate in the December presidential elections — or shoulder full responsibility for a split that would have grave political consequences.

In a move aimed at unloading blame for any breakdown onto the PSD, whose repeated leadership crises have plagued Portuguese governments since early 1981, Sr Soares says he has no intention of resigning and has thrown the ball into the PSD court.

The crisis erupted last week after it transpired that the latest PSD leader, Sr Anibal Cavaco Silva, a hard headed young economist, wbo is on the right in his party, strongly favoured aligning the PSD behind a conservative contender for the presidency, the former Christian Democrat leader Professor Diogo Freitas do Amaral.

This angered Sr Soares, who has presidential aspirations himself

Today's meeting is likely to he stormy. Not all the PSD executive favours a breakdown, or an alignment with a conservative presidential candidate.

A split in the coalition will be damaging to the economy, which is just picking up after two years of austerity and still needs judicious control.

# Spain's economic plans hit by rise in inflation

THE SPANISH Government's economic strategy, already bit by lower than planned growth forecasts, received a further blow with the weekend publication of price rise figures for April that confirm a continued high inflationary trend.

The consumer price index rose by 1 per cent in April to give an accumulated increase of 4.3 per cent so far this year and a 10.2 per cent Inflation rate over the past 12 months.

From January to December 1984 Finance Minister Sr Miguel Boyer's strict austerity programme had brought inflation down to 9 per cent, tbe first time Spain had returned single digit end of year inflation since the middle 1970s.

Sr Boyer's target of a 7 per cent inflation rate from January to December 1985 now appears chimerical and a return to the psychologically onerous double digit inflation by December is increasingly likely. Finance Ministry officials say they will not be revising the 1985 inflation target uotil the second quarter price index figures are published.

The Government's strategy has been buffeted in the past fortnight by the annual report of the Bank of Spaio, the Central Bank, which forecast a GDP growth of under 2 per cent this year against a 3 per cent growth planned by Sr Boyer, and by depressing unemployment statistics. The jobless

The prospect of increasing inflation is fuelled by measures taken by Sr Boyer io April to boost slack domestic consumption. The finance minister ordered cuts in personal Income-tax worth $600m. The introduction of VAT on January 1 will bave an inflationary impact that will be anything between 2 per centage points by Sr Boyer's calculation and up to 7 points according to the estimates of independent economists.

# AT & T hit by change in long distance calls system

BY PAUL TAYLOR IN NEW YORK

THE U.S. Federal Communications Commission (FCC) has voted unanimously to change the system for allocating customers who fail to elect a long distance telephone carrier for their calls. The move, which will assign these customers to a carrier in the same proportions as those who do make a choice, could have far reaching effects on the fiercely competitive U.S. long distance telephone market.

The decision appears to be a major blow to American Telephone and Telegraph (AT & T), the giant telecommunications group which, under the previous system, was assigned by default all customers who failed to choose a long distance carrier. Under the so-called—equal access—provisions which are being introduced in the wake of the Bell System break-up

The FCC's move, which it said was needed to stimulate the less than impressive growth of competing cut-price long distance carriers, appears to be a major victory for MCI communications and AT & T's other rivals.

The new order will affect some 75m telephone customers—roughly half the national total—most of whom will be asked to choose a long distance carrier between now and August 1986. AT & T's cut price rivals had complained bitterly that the previous default system was unfair. In a 5-0 vote the FCC appears to have accepted this view.

The importance of the decision is apparent from the size of the U.S. long distance telephone market, which is still dominated by AT & T despite the growth of MCI, GTE Sprint and other carriers. According to some Wall Street estimates, 1 per cent of the long distance market is worth between $400m (£310m) and $500m.

# Stable Irish interest rates expected

By Brendan Keenan in Dublin

THE IRISH central bank's decision to allow banks to set their own rates is not expected to result in an early change in Irish interest rates.

Instead, the move is seen as a significant step towards the long-term aim of breaking up the existing bank cartel and allowing greater competition.

The Irish authorities are moving cautiously and the new regime — which is similar to that which has operated in the UK for many years—will be reviewed after six months. The central bank will also set a base rate below which interest rates will not be allowed to go without its approval.

Under the previous system the four Irish clearing banks asked the central bank for approval to change their rates when they felt it necessary and all maintained the same rates.

# Brazilian summit tackles domestic and IMF strategy

BY ANN CHARTERS IN SAO PAULO

PRESIDENT JOSE SARNEY'S first economic summit, held at the week-end with selected Government ministers and economists, debated current Government strategies on Brazil's external debt, IMF negotiations, and domestic economic policies, Finance Minister Sr Francisco Dornelles said yesterday.

Sr Dornelles said measures to control inflation and reduce the public sector deficit were discussed but declined to reveal details on divisive issues, saying only that the meeting brought "the participants closer together and an exchange of ideas could only help those who had to make decisions.

The lack of details about the meeting frustrated those who had hoped the summit would yield a clear public definition of the new government's economic directions and whether the finance or planning ministry would control future policy.

Instead the nine-hour meeting appeared to be a tutorial for Sr Sarney on the complexities and costs of alternative economic policies, as well as being an opportunity to bring together respected economists of divergent views. Sr Sarney reportedly closed the meeting with the words "all decisions are mine."

Talks resume today between the government and International Monetary Fund officials after bogging down last week over a definition of the public sector deficit. The finance ministry places the deficit at Cruz 85 trillion (roughly $15.4bn or £12bn) but other observers put the figure closer to Cruz 65tr.

After last week's talks the IMF team has been accused in the press as being unrealistic

# Poland devalues by 16.8% to the dollar

POLAND devalued its nonconvertible zloty at the weekend by 16.8 per cent to the dollar and 14.2 per cent to the Soviet rouble. The dollar now stands at zlotys 159 and the rouble at zlotys 88, writes Christopher Bobinski in Warsaw.

The official dollar price is still some way from the black market rate which oscillates around 600 zloty. The government is keen to boost exports, especially to hard currency markets where sales have flagged this year.

After four months Poland's hard currency exports were 5.6 per cent down on the same period last year and the hard currency surplus, which is crucial if Poland's external debt is to be serviced with any success, stood at $245m (£189.9m) compared with $470m at the end of the first four months of 1984.

# Garcia takes on twin burden

SOCIAL Democrat Sr Alan Garcia, proclaimed Peru's first president-elect, faces twin problems of a sagging economy and a communist guerrilla war, Reuter reports from Lima.

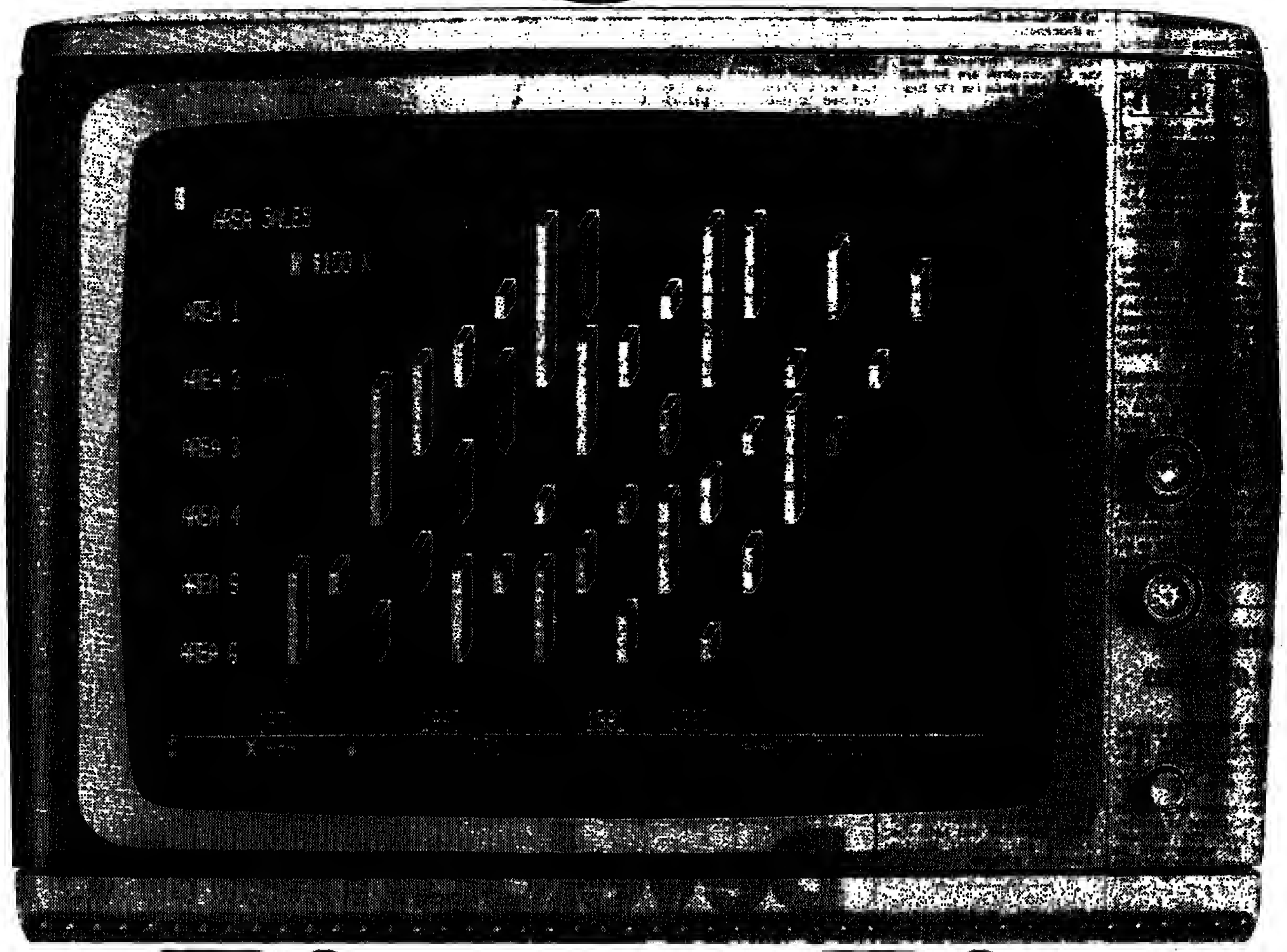
The electoral board said at the weekend, that Sr Garcia, at 36 Latin America's youngest leader, would take over from conservative President Fernando Belaunde Terry on July 28 after a Marxist rival decided not to contest a run-off.

Sr Garcia won 45.74 per cent of the vote in April but failed to get the outright majority to avoid a second round. Marxist Sr Alfonso Barrantes took 21.26 per cent.

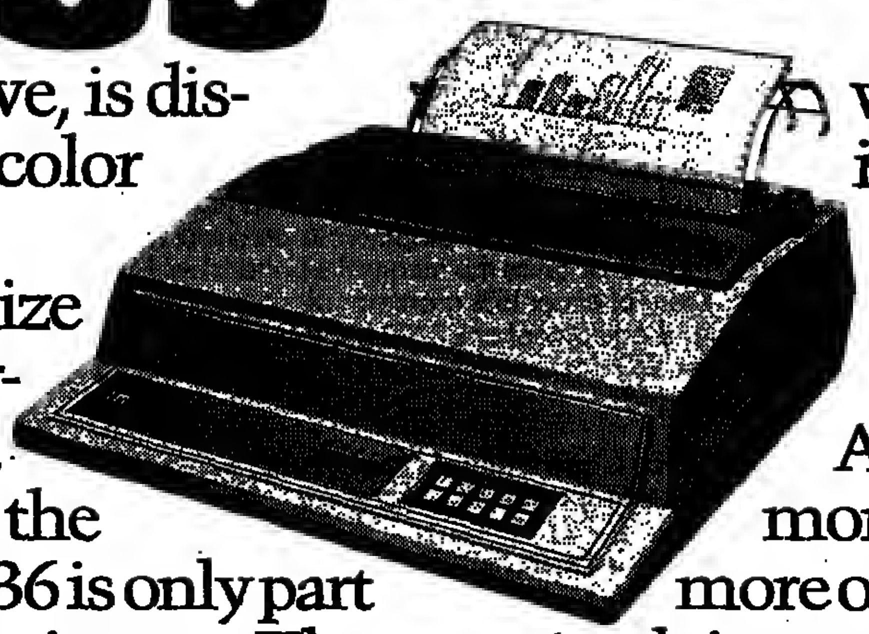
The new president will face the problem of an anti-government war by the Maoist Sendero Luminoso (Shining Path) guerrillas which has killed more than 6,000 people in five years and left 26 of Peru's 170 provinces in a state of emergency.

Sr Garcia will also face Peru's serious foreign debt, estimated at $13.5bn (£10.4bn).

# The Big Picture.



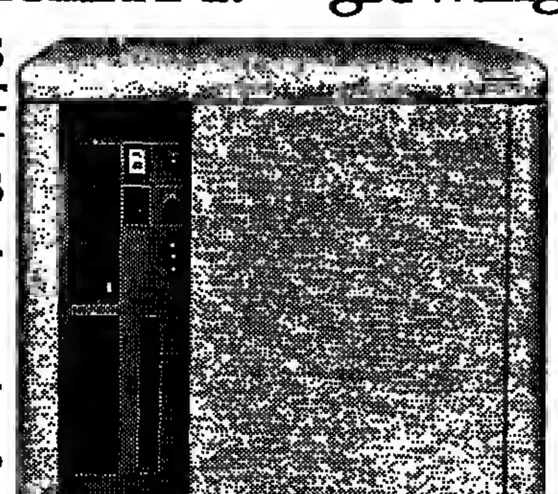

# The Bigger Picture.



The big picture, above, is displayed on the ITT 9236 color display terminal.

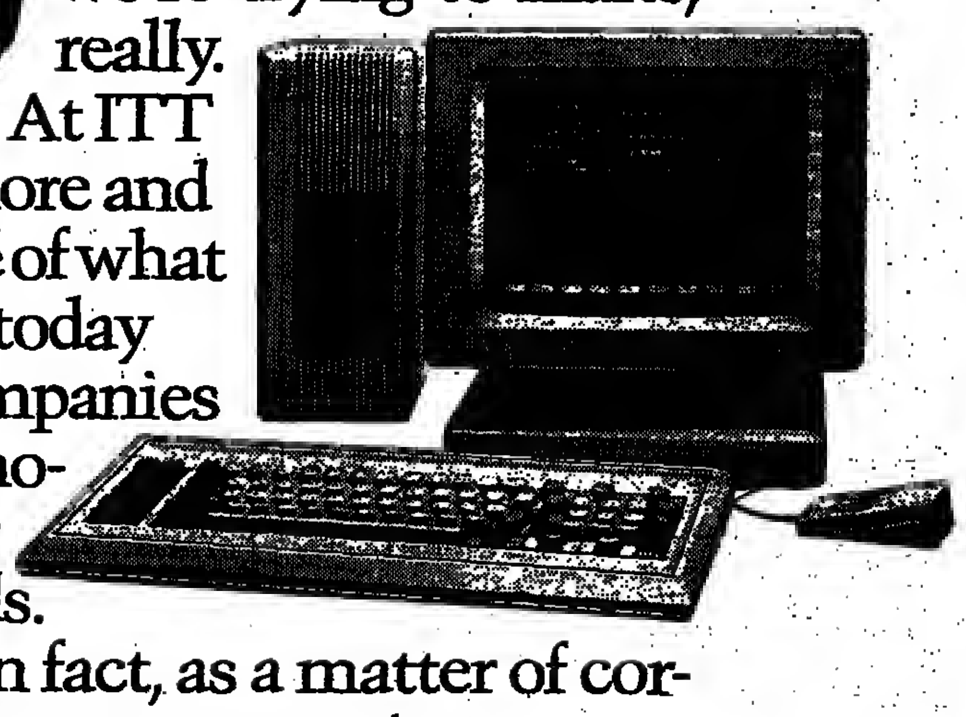
Which lets one organize business data in big, colorful, easy-to-read graphics.

But the ITT 9236 is only part of the picture. The bigger picture is the whole 9000 series of display terminal products from ITT.



This family of products includes everything from display terminals and printers, to our ITT XTRA® Personal Computer.

It includes something else: a variety of highly sophisticated technologies.



And that's the point we're trying to make, really.

At ITT more and more of what we're doing today involves companies in high technology, or other growing fields.

In fact, as a matter of corporate strategy, we're concentrating our resources on such businesses.

The result is a very different ITT. But it's one for which we see unusual opportunities -and rewards- opening up. If you get the picture.

**ITT**

**It's a different world today.**

ITT European Headquarters, Avenue Louise 480, B-1050 Brussels, Belgium.

هكذا من الأصل

# WORLD TRADE NEWS

## Australian airline orders eight Airbus A-320s

BY DAVID MARSH IN PARIS

.IRBUS Industrie, the Euro-ean airliner manufacturing onsortium, has chalked up resh orders for its new 150-eater A-320 aircraft, with a .rm contract for eight of the ircraft announced at the week-nd with the Australian airline Ansett.

Ansett, owned by Thomas Nationwide Transport and Mr Rupert Murdoch's News Corporation, will take delivery in 1988 or 1989. It also has placed nine optional orders for the A-320—formally launched in March 1984 by the four-nation consortium—to 75, with the same number of options.

M Jean Pierson, the Airbus chairman, told a Press conference that the eight firm orders, together with spare parts and support equipment, were worth about $365m (£292m).

Most of the aircraft will be used on domestic routes, although some will fly on Ansett's international operations.

The A-320 will make its entry into service in 1988 as part of Airbus's bid to widen its range of planes in response to competition from U.S. manufacturers.

The Ansett order—which follows confirmation last week that Pan American World Airways is buying 12 wide bodied A-310s and 16 A-320s—marks the first time that a company from the Asia-Pacific region has opted for the narrow-body plane.

Sir Peter Ables, co-chairman of Ansett, said the order was signed last month in Sydney. M Pierson said Airbus could announce other deals during the Paris air show, which continues until next weekend.

● The Dutch aircraft manufacturer Fokker has sold four of its new Fokker 50 passenger propjets to Norwegian regional operator Busy Bee in a deal worth Fl 120m (£28m), Reuter reports.

The company said the aircraft would replace the Fokker F27 Mark 100 aircraft already in service with the airline. Busy Bee carries out flights for the Norwegian Defence Ministry and is a sub-carrier for the main Scandinavian airlines.

The order brings sales of the new Fokker 50 to 25 aircraft from three airlines, with options on a further six sales.

## Westland and Agusta start talks on joint helicopter

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

WESTLAND of the UK and Agusta of Italy, two of Europe's leading helicopter manufacturers, backed by their governments, have begun negotiations on a common programme to develop a light attack helicopter, designed for the future requirements of the British and Italian armies.

The multi-billion dollar programme aims to produce a helicopter system to meet both armies' needs over the next 10 to 20 years for anti-tank, anti-helicopter, scout and other roles. The aircraft will be based on the Italian A-129 Mongoose helicopter.

The programme is the first result of a Memorandum of Understanding signed by the two companies about a month ago, which seeks closer collaboration on helicopters between Westland and Agusta.

The two companies are already collaborating on the development of the multi-billion dollar EH-101 anti-submarine warfare helicopter which is expected to be one of Europe's major helicopter programmes.

But in addition to the EH-101 and now the A-129 programmes, Westland and Agusta believe much benefit can be gained from even closer collaboration on other programmes.

They have therefore begun a review of their respective marketing sales and customer support organisations, to see if they can rationalise them more.

As part of this plan the existing joint Westland-Agusta company, EHI, set up to run the EH-101 programme, has established a marketing division in Milan to direct Westland and Agusta's activities in the world-wide marketing, sales and support of the EH-101 itself.

Another company, EHI Incorporated, has been formed in the U.S. to pursue sales of the EH-101 there.

Mr Raffaello Teti, chairman of the Agusta group, announcing the new agreement at the Paris Air Show at the weekend, stressed that the extension of collaboration in Europe did not reflect any lack of desire for collaboration with the U.S.

## World Economic Indicators

FOREIGN EXCHANGE RESERVES (US$m)

| | Mar. '85 | Feb. '85 | Jan. '85 | Mar. '84 |
|---|---|---|---|---|
| U.S. | 7,041 | 6,301 | 6,270 | 6,817 |
| Japan | 22,479 | 22,302 | 22,544 | 20,921 |
| W. Germany | 32,097 | 33,139 | 34,203 | 40,945 |
| UK | 7,020 | 6,415 | 6,739 | 8,788 |
| Italy | 16,737 | 17,705 | 19,080 | 17,317 |
| Belgium | 3,716 | 3,731 | 3,629 | 3,662 |
| Netherlands | 7,371 | 7,222 | 7,624 | 9,387 |
| | Feb. '85 | Jan. '85 | Dec. '84 | Nov. '84 |
| France | 19,502 | 19,102 | 19,102 | 17,505 |

Source: IMF

## Hong Kong optimistic on U.S. textiles Bill

By David Dodwell in Hong Kong

RESTRICTIVE textile import legislation being put before the U.S. Congress is likely to attract a presidential veto and is unlikely to win majority support in the Senate, Mr Verrick French, Hong Kong's textile lobbyist, said in the British territory at the weekend.

The Bill, talked of as the Jankins Bill because it is being drafted by Mr Ed Jenkins, a Georgia Democrat who is chairman of the Congressional textile committee, would, if passed in its present form, cut textile and garment imports from most Asian exporting countries back to 1983 levels.

Mr Donald Tsang, Hong Kong's deputy director of trade with special responsibility for the U.S. market, said recently: "It is the worst piece of legislation we have ever seen. Our level of concern is very high."

It comes in the wake of sweeping new "country-of-origin" laws introduced last autumn which were seen as a response to protectionist lobbies in the U.S.. Hong Kong knitwear manufacturers say these changes alone will cost them HK$3bn (£300m) a year in lost orders.

Apart from Hong Kong, whose textile and garment exports would be cut by about 13 per cent if 1983 volumes were reimposed, other Asian exporters would be severely hurt by the Jenkins Bill, Mr French said. Emergent exporters like China would have sales cut by 65 per cent from present levels, while Indonesia would face an 85 per cent cut, he claimed.

A further irritant to Third World textile manufacturers is that the Jenkins Bill specifically excludes exporters from the European Economic Community and Canada, which together account for more than half of U.S. textile and garment imports.

Mr French said supporters of the Jenkins Bill were spending about $500,000 (£400,000) a month lobbying Congressmen to back the legislation.

Mr French has been lobbying on behalf of exporting countries, as well as sympathetic groups in the U.S. — including retailers, exporters of farm products, and U.S. consumers who face higher garment prices if the legislation is enacted.

He said Mr Jenkins was likely to win necessary majorities in the House of Representatives, but that he would probably not press his bill through the Senate, where success seems less likely.

The Hong Kong Government paid Mr French an initial HK$ 1.6m to campaign on its behalf in the U.S. There has been some opposition inside the Hong Kong Government to such spending, and Mr French's visit to the territory was seen in part as an attempt to convince the Administration that it is money well spent. A new contract is soon to be finalised.

## EEC considers U.S. steel proposal

BY QUENTIN PEEL IN BRUSSELS

EEC considers US steel proposal by Quentin Peel in Brussels — A NEW U.S. proposal setting the conditions for allowing extra imports of steel pipes from the EEC will be presented to the 10 member states this week, following high-level weekend talks in Washington.

The plan was brought back to Brussels yesterday by Mr Willy de Clercq, the European Trade Commissioner, who promised an answer by the end of the week to his U.S. counterpart, Mr Malcolm Baldrige, the Secretary for Commerce.

The only official comment on the talks made by both sides was that "considerable progress" had been made to end the long-running dispute over the import of at least 110,000 tonnes of pipes for the all American oil pipeline being built from Texas to California.

These pipes, for which French and West German companies have contracts, would be in addition to the quota agreed last December for U.S. imports of EEC pipes and tubes, set at 7.6 per cent of the U.S. market.

The EEC claims that U.S. producers cannot fulfil the demand and that under the terms of the quota agreement. Therefore it should be permitted to increase its exports to the U.S. The U.S. has been seeking to put extra conditions on its approval of imports in excess of the quota limits.

The U.S. proposal is understood to link all three elements in the omnibus package sought by the U.S. but hitherto resisted by the Community:

● Recognition of the EEC demand to give effect to a "short supply" clause in the pipes and tubes agreement, because of the inability of the U.S. industry to meet the oil pipeline's needs;

● The American demand for an early renegotiation of the 1982 carbon steel agreement, which expires at the end of this year;

● The parallel U.S. demand to include an extra 17 steel products in that negotiation, including semi-finished products.

Mr de Clercq will put the plan to the permanent representatives of the Ten in Brussels on Wednesday, with provision for calling an emergency meeting of industry ministers in order to give a firm reply by the end of the week.

Stewart Fleming in Washington adds: Following the negotiations, the Commerce Department issued a statement saying that considerable progress had been made and that officials had agreed to talk again this week.

Some officials are suggesting that in spite of the progress there is still some way to go to narrow the areas of disagreement

## UK minister urged to raise copyright issue in Singapore

BY OUR SOUTH EAST ASIAN CORRESPONDENT

MR Paul Channon, British Minister of State for Trade, is being pressed by British book and music publishers to raise the controversial issue of copyright protection when he visits Singapore on June 26.

The visit is part of a trip organised to follow up Mrs Margaret Thatcher's whirlwind south east Asian tour in April. The trip has already taken on added importance with his inclusion of Thailand, where a Leyland-led consortium is trying to clinch a £385m bus contract.

As a major producer and exporter of pirated music, software and books, Singapore is causing losses to these industries worth hundreds of millions of dollars, principally because of its inadequate safeguards for "intellectual property."

The strongest condemnation so far has come from the U.S., most recently from Mr Lionel Olmer, under-secretary at the U.S. Department of Commerce.

A year ago a U.S. delegation of government officials and industry representatives accused the Singapore government of tolerating "blatant larceny."

The UK has hitherto adopted a lower profile in making its views known.

Now, it seems, pressure is building for a stronger public stand. Even in Singapore the International Chamber of Commerce has spoken up strongly in support of legislation.

The Singapore Government is drafting a copyright law, but this seems unlikely to be enacted before next year. The draft, which could be completed by the end of the month, must still be submitted to the Law Ministry and to a special copyright committee before going to parliament.

It is also unclear at this stage when, or even whether, Singapore will accede to international copyright conventions. It is thought the island state may try instead to arrive at "bilateral" arrangements with other countries.

## Australia moves to boost south east Asian ties

BY CHRIS SHERWELL IN SINGAPORE

AUSTRALIA has sharply raised its trade profile in south-east Asia through a visit to Indonesia, Singapore and Thailand by Mr John Dawkins, the country's new Minister for Trade.

The visit, the first by an Australian trade minister to the region in several years, will be followed by trips to Malaysia and the Philippines later this year, and underscores Australia's growing appriciation of south-east Asia's economic, political and strategic significance.

Indeed, Australian Cabinet Ministers have a standing instruction from Mr Bob Hawke, the Prime Minister, to increase contracts in the region and to make a point of stopping off to visit their counterparts whenever returning from trips further afield.

In Jarkarta, where he met President Suharto, Mr Dawkins urged Indonesia to take greater advantage of Australia's developing countries' preference scheme, which gives duty free or concessional access to Indonesian goods in the Australian market.

In textiles, clothing and footwear, he said, Indonesia's share of a A$2bn (£1.05bn) market was only A$10m. He added that generaly the size of the Australian market open to international suppliers had increased by 15 per cent in the past year.

In Singapore, which is Australia's largest south-east Asian market, Mr Dawkins indicated strong Australian interest in joint ventures with Singaporean partners to tap the vast Chinese market now opening up. The idea is a pointer to Singapore's potential role as a gateway to China.

Collectively, the six countries of the Association of South East Asian Nations (Asean) — Singapore, Indonesia, Thailand, Malaysia, the Philippines and Brunei — are Australia's fourth largest trade partner. Singapore itself is one of the largest investors in Australia after Britain and Japan.

SHIPPING REPORT

## Trampships suffer slow month, says broker

By Joan Gray

MAY WAS a disappointing month for trampship owners, according to broker Matheson (Chartering).

Drycargo rates in the Western hemisphere, which had shown belated signs of seasonal improvement in the previous two months, began to tumble.

Lower grain rates on the important routes from the U.S. Gulf to North Europe and the Far East were attributed to an increase in the permissible Mississippi draft and the bigger cargo listings possible.

The softer tone in the north and south Atlantic basin was largely a reflection of reduced Soviet pressure and the decline in demand which usually occurs in midsummer.

There was no change in the Far East, where conditions continued difficult for trampships, and it was not unusual to wait for days for cargo.

Long-haul business out of the area was especially scarce, and owners often had to accept local trading around China, Japan and Korea. But after perhaps only 15 days owners were back in the same depressed market.

## Ericsson deals

L. M. ERICSSON, the Swedish telecommunications and information systems group, has won several mobile telephone orders worth $24m (£19.2m), David Brown writes in Stockholm.

The largest, valued at $20m, involves turnkey delivery of switching equipment, base stations and terminals to Perumpel, the Indonesian public telecommunications administration, and several private buyers.

# THE ARTS

## Architecture/Colin Amery

# Struggles at the Royal Academy

Architecture at the Royal Academy has improved its presence. You can see the larga silvery model that dominated the centre of Gallery 6 from the moment you reach the top of the stairs. It is encouraging that this year the mother of the arts has regained her place at the heart of the exhibition.

Passing through the central hall on the way to the architecture room do not miss the group of paintings by the late Meredith Frampton. His surreal calm and his understanding of formal composition are a good preparation of architecture. His *accuracy* had the power to disturb and his sense of the face of things — that which we present to the world — was uncanny in its perception.

Architecture is a hard thing to exhibit for public enjoyment. Architects are only showing the face of their work by exhibiting it in two dimensions. Even the architectural model — and there are some brilliant examples in this year'a exhibition — displays a misleading aense of scale. The room this year is full, 137 exhibits selected by a hanging committee that included three architect academicians; Leonard Manasseh, Sir Philip Powell and H.T. Cadbury Brown, the Royal Academy Professor of Architecture.

It is a good display, redolent with the confusion of the present architectural debate, but curiously satisfying because you can aense the intensity of the effort that is now going into the recovery of England's built world.

Let me deal immediately with the central exhibit by the architect Richard Rogers. It is a £30,000 model of the entrance area of the new Lloyd's. Like the building itself it is gleaming with polished stainless ateel and has the air of an oil refinery. I have never much cared for the Pompidou Centre in Paris by these architects becausa it is such a horribla place inside—a grim environment for looking at pictures. But that was a long time ago and Lloyd's is undoubtedly a better example of the same genre.

In order to create a dealing room three times larger than the present one at Lloyd's Rogers pursued his one constant idea of removing all the service elements of his architecture to the edges of the site and freeing the centre for large, clear, uncluttered spaces. This is a radical and difficult idea because it must increase the size of what architects call "the external envelope." Imagine all the lifts, lavatories, staircases, plumbing and ventilation of *your house hanging* on the outside walls and you will have grasped the concept behind a Rogers edifice.

There is no doubt that the outside of Lloyd's looks complex and eccentric, particularly its roofline with silvered Portakabins and cranes that look temporary but are, in fact, permanent.

Inside, tha greot atrium with an arched and glazed roof on Crystal Palace lines will undoubtedly be a striking sight, a commercial cathedral, American in spirit and English in the wish to show the world how complex its details are. Lloyd's will get 520,000 sq ft (gross) for £135m —new crystal palaces do not come cheap. It will open in 1986.

The R.A. shows a later example of British high technology with the large and glittering model of Michael Hopkins's proposals for the enclosure of Basildon Town Square. Half the pleasure of looking at this is that it lights up and haa the kind of mechanical charm of the space models in the Science Museum. To cover up a shopping square and impose upon it the aesthetic of technology is an interesting and provocative idea. Could a similar arcade roof be flung over the horror of Oxford Street with the traffic removed? The trouble with technological glamour is that it works best on sites where you can start from scratch.

Both Richard Rogers and Michael Hopkins would enjoy the fine drawings from the office *of Donald Insall showing* the restoration and repair of the magnificent conservatory at Alton Towers.

The Mr Abraham employed by the 15th Earl of Shrewsbury to embellish his landscape gardens at Alton in Staffordshire designed a conservatory that evoked the fantasies of the *Arabian Nights* beneath its seven glass domes. *How telling* it is to see how technology and the ideas of the Picturesque combined in the first half of the 19th century to produce such magical places as Alton. It is glorious news that restoration is underway.

It should be noted that this year'a room demonstrates the gradual improvement in the level of architectural drawing. John Outram's Isle of Dog's Pumping Station is a powerful drawing and at a gentler level I liked the drawings and ideas of Jeremy Till, Peter Hull and the elegant decorative drawings of Martin Nash.

We hear a great deal about *pastiche* and imitation of the past in the architectural debate at the moment and it is worth pointing out that some of the exhibits in the R.A. continue to display the weakness of this approach. For example there is a drawing by Julian Bicknell of an organ case for Magdalen College, Oxford, that is not as good as the average level of work *turned out* by Edwardian *firms* of church furnishers in 1910.

There are houses and libraries that are about the standard of the work of that Victorian entrepreneur, Captain Fowke. If it is original ideas you are looking for they are few and far between. But the struggle is on display and occasionally it is triumphantly resolved. English architects, like some of the Academy painters, have got to ensure that they don't drown in the clichés of the 1860s — times have changed and real talent is still *scarce*.

## Così fan tutte/Covent Garden

**David Murray**

Anne Howells and Margaret Price — *Alastair Muir*

At the Royal Opera *Così fan tutte*, in John Copley's much-revived production, has had its ups and downs. This time, with a very good team of principals, Graziella Sciutti has been enlisted as "co-producer." Herself a famously bright and vivacious Despina, Miss Sciutti has had a palpable effect on the physical style of *the goings-on*. There is more comedy and less farce, livelier posturing and less knockabout, an exuberant range of gesture: some of the arias are almost as much danced as sung. It is perhaps a little busy, but it has a consistent impulse—and in the right direction.

Colin Davis conducts, excellent Mozartean that he is, with affection and verve. (Momentary lapses of ensemble were instantly forgotten: Sir Colin's first nights are not reliably tidy.) He had the benefit of a devoted Prom audience, always a tonic, for this Così was the last evening of the Covent Garden Prom week sponsored annually by the Midland Bank. *The passages of the score which* are virtually chamber music were dwelt upon with special tenderness.

*Margaret* Price's Fiordiligi unbent *graciously* amid the general high spirits, but so far as to compromise her great set-pieces: "Come scoglio" of fiery dignity, a noble "per pieta" that exposed a whole character. Francisco Araiza's Ferrando matched her in a melting "Fra gli amplessi," and if his tone is a little darker and drier than before he still etched his "Aura amorosa" most delicately. Anne Howells, plainly determined to make as much of flighty Dorabella as possible, more or less succeeded: the *determination was over-visible*, but the witty insights she lavished on her music were real and serious.

As Guglielmo, Russell Smythe moderated his *jocular histrionics* as the evening went on. He allies good musical sense to an interesting baritone timbre, though he made *Sprechstimme* of too many recitatives. (As usual with non-Italian casts, the recitatives are anyway rarely quick enough.) The suave Don Alfonso is Richard Van Allan, too urbane to be much involved. *The actual Despina is* Lillian Watson, very charming: the Sciutti *persona* flickered often in her gestures, but the Watson soprano is warmer and less fine-lined—Sciutti's elegant insolence is not quite her style. And, by the way, the Notary's marvellously funny and touching music deserves to be sung, not croaked.

## Home/Shaw

**Michael Coveney**

The Negro Ensemble Company were welcome guests at last year's Edinburgh Festival with *A Soldier's Play*, source of tha recent film. They return with a much less compelling piece, similarly old-fashioned, by Samm-Art Williams. A pitifully sparse turn-out at the Shaw on Friday night was yet another indictment of the organisational fiasco also known of the American Festival.

*Home* tells the story of Cephus Miles, a cotton-picking farm hand in North Carolina who leaves his native cornfields and hog pens for the big city life. He refusea the Vietnam call-up and languishes in jail for five yeors. Branded o Communist for "spitting on the flag" he drifts into alcoholism and drugs, sweeps floors and shines shoes. Washed up and cleaned out, he takes the Greyhound *Bus back to base* where his childhood sweetheart, newly and conveniently divorced in Richmond, Virginio, has secured the deeds on his old folks' laod. This cornball happy ending is dramatically weak but in line with the overall sentimental drift of the whole.

Mark Twain and Salinger, *rather* than Steinbeck, come to mind. The most vital passages struck me as the early ones about pitching dice on while men's graves (smoother than the black memorials) and succumbing to a little revivalist salvation in order to sneak under a sweetheart's dress. The jokes are fine, if a little cosy. The noive poetic outbursts are *faintly* embarrassing.

On a bare platform stage, timbers silhouetted against o changing sky, the acting trio of Samuel L. Jockson, Elain Grabam and S. Epatha Merkerson cannot be faulted. The latter two ladies play girlfriends, relatives, hookers, stone-faced welfore officers and even bus drivers with some brio and much style. Mr Jackson as Cephus, lithe and lanky, is an instantly sympothetic performer, whether blithely passing himself off as a Philodelphio smoothie, urgently buttonholing us with onother vaguely interesting anecdote obout unknown old-timers, or painfully consuming the news about changing times back on the old homestead. A decent enough show but nothing to indicate a great surge in black American playwriting.

## Naked in the Bull Ring

**B. A. Young**

Seen at Birmingham Rep, this is the third part of a trilogy but you do not have to know the first two to follow the drift.

We learn from throw-away references that o firm making locks once run by George Newman has been taken over by his son, who has taken it to Northern Ireland and out of the play. All thot remains of it is George (John Burgess) the ageing head of the family, sitting at a new computer with the mistaken idea that he can use it to the firm's advantage.

We are left only with family affairs. There is friction between George's wife Connie (June Barrie) and his 90-year-old mother, who has had a fall and becomes increasingly senile. The old lady, played to the life by Margery Withers, resents Connie because she remembers that during the war when George was in the army, Connie had a fling with his brother Len, her favourite, that resulted only in a stillborn child. She asserts her resentment by adding disgusting extras to the natural dirtiness of extreme old age.

This enmity is extended throughout the play by her reluctance to tell anyone about this old affair. What occupies tha foreground is the problem of what to do with her—or with any old lady unable to look after herself but unwilling to go into a home to be cared for. Miss Withers, though she plays a very nasty old woman, managed to win my sympathy, for the rest of the family are pretty nasty too.

All else in the family portrait is decoration. Len (*Raymond* Mason), pays a couple of short visits, talks about his pills and his Railcard, and shows no recollection of his 40-year-old love.

The talk is commonplace family talk, the everyday lines, as the author admits in the programme, of his own family existence.

It is more expertly played under John Dove's direction than it deserves. There is a great reversible set by Di Seymour, showing the interior of the Newmans' bungalow, the "other room" one way round, the "front room" the other way round. You can do this sort of thing on the Birmingham Rep's enormous stage. You cannot show anyone naked in the Bull Ring, Birmingham's shopping centre. Tha old lady dreams she was, but she was only delirious.

## Aida/Coliseum

**Rodney Milnes**

John Copley's 1979 production of *Aida* was the last ENO spectacular—perhaps the last ever. Stefanos Lazaridis's classic designs are duly sumptuous yet never lose sight of the work's sombre message: their massiveness is oppressive as well as spectacular. The production has been carefully revived by Mr Copley himself and still looks marvellous; after last season's fiasco at Covent Garden, this intelligent and true staging is all the more to be treasured.

The revival has also been imaginatively cast — indeed vocally the show has never been stronger. Marilyn Richardson, the Australian soprano making her belated London debut in the title role is, in o word, sensational. When did we last hear a real Aida voice like this, whether in the theatre or on record? Full and creamy of tone and technically utterly secure, her athletic soprano is even from a *house-filling* top C *down* to a darksome chest register with no suggestion of gear-change.

All that is lacking on this *showing—if one may be hyper*-critical in the face of such abundant talent—is a genuine *pianissimo*: the final duet was a little stentorian given the stuffy circumstances, and the treacherous C in the Nile aria—although approached honourably—didn't quite come off. It will, and in general Miss Richardson's hugely accom*plished singing was an occasion* for drop-jawed wonder.

*Alastair Muir*

Margreta Elkins and Marilyn Richardsnn

Tenors who can sing Radames do not grow on trees either; and in the Brazilian Eduardo Alvares the company has found one with appropriate military *squillo* in plenty; sadly there is a beat to go with it, occasionally of o width that might be deemed a wobble, but Mr Alvares defeated it in time for the last two acts, aod relaxed into some pleasing soft singing. He octs enthusiastically.

Like all the principals Margrelo Elkins, returning to London after a spell in her native Australia, projects the words clearly, and she relishes Amneris's *Dynasty*-style skullduggery in the second act more than the barnstorming of the fourth, where the orchestra was too much for her: hers is an honest, quietly satisfying reading.

Neil Howlett *repeats* his crisply sung, horribly implacable Amonasro, there is an auspicious house debut from John Connell as Ramfis, and an ideally secure Priestess from Jane Eaglen. Mario Bernardi's conducting has masses of dramatic thrust and just enough expansion; orchestra and chorus were at their best for him on the first night. This is an excellent revival.

## Woman in Mind/Scarborough

**Martin Hoyle**

Those of us who have detected demonic presences lurking on the back lawns of Alan Ayckbourn's suburbia are vindicated. *His new play at Scarborough's* Stephen Joseph Theatre in the Round begins as *The Secret Life of Walter Mitty* as bored Susan escapes from her dreary marriage into fantasising wish-fulfilment; adds a dash of *Blithe Spirit* when she baffles her everyday companions by addressing the apparently invisible presences; and turns into a *suburban Exorcist* with intimations of diabolic possession, the desperately isolated heroine left gibbering on a darkening stage.

All of which is unfair to Ayckbourn who remains uniquely Ayckbourn; though his latest look at the tragi-hilarious frustrations, inarticulacies and uncommunicative cross-purposes of the middle classes has moments on automatic pilot. There is a touch of the mechanical TV sit-com formula in such running gags as a whining in-law's culinary disasters or the (60-page) booklet on parish history that has absorbed the energies of Russell Dixon's blandly evasive vicar for yeors.

To compensate for the obsence of comic set-pieces or stabbing social observation we get a deeper and raker foray into typical Ayckbourn territory: the intelligent and imaginative woman driven into solitude by the obtuse incomprehension of those around her.

*Just Between Ourselves* and *Absent Friends* tipped the victim-figure into near-catatonic withdrawal and breakdown respectively. Here, following a blow on the head, middle-aged Susan copes by creating a phantom *family, white-clad* and graceful: Robin Herford's still-passionate husband, enunciating the idiom of better-class romantic fiction ("We'd all be lost without you . . . I love you more than words can ever say"); a younger brother whom John Hudson turns into a sportingly gilded youth from Dornford Yates; and an adoring daughter whose blond prettiness Caroline Webster makes as sinister as tha children's ambivalent innocence in *The Turn of the Screw*. The contrast with Susan's reol husband —Mr Dixon at his most stockily prosaic—and dependent sister-*in-law—Heather Stoney*, all scrawny *Schadenfreude*—rightly cues a black-out of horror and disgust.

As in a dream, the imagined family obsorbs elements from reality: the daughter assumes tha scholastic brilliance that Susan unconsciously envies in the children of her bumbling doctor, for instance. But they begin to arrive uninvited, interfere, take over, reveal themselves as parts of Susan herself. "Who are you?" she cries to the perfect lover she thinks she has created; the sudden darkness glows with the demon-king's traditional red in one of those presentiments of evil that cast an early evening chill over so many golden Ayckbourn afternoons.

Echoing that most underrated of Ayckbourn's recent plays, *Way Upstream* — a journey to the heart of darkness on o violently chaotic river-trip—reality and fantasy mingle, the comedy underpinned by an almost Calvinist conviction of rigidly-ordained damnation and grace. The climax is a nightmare jumble of shattered fragments of reality juxtaposed into a surreal mosaic. A fantasy wedding turns into a race-meeting. The white-clad spectacle (even topper and tails are pristine) becomes nonsensical, inconsequential, a Fellini dream-sequence (*Susan of the Spirits?*).

This fascinating play confirms the author's recent preoccupation with the darker side of human nature. It will disappoint admirers of the peerless clown; but in place of frenetic comic virtuosity we have a sardonic comment on where desperate escape-routes from painful reality can lead us. Some compassion, much pessimism; the usual fine teamwork under the author's own direction. Pleading not to be forgotten, Ursula Jones, the woman in mind, is haunting in her final garbled cries of "December bee! December bee!" as the world fades into blackness.

## Arts news in brief . . .

Jane Lapotaire will play Joan in Shaw's *Saint Joan*, and Anthony Quayle will play Prospero in *The Tempest* in Compass Theatre Company's national tour of both productions. It starts this September with a three-week engagement of *Saint Joan* at the Theatre Royal, York.

The Prudential Assurance has increased its sponsorship to £25,000, and Rank Xerox is providing an overdraft facility.

*

The International Jazz Federation has announced details of the Fourth IJF jazz competition to be held at Leverkusen, Germany, from October 9 to 13.

Entries are invited from young jazz groups in Europe. (All members must be below the age of 30.) An international jury will select up to six groups to take part in the competition on the basis of cassette recordings submitted by each group. The groups selected will be invited to perform during the 6th Leverkusen Jazz Days festival. The jury will nominate one group as European Young Artists 1985. They will receive an award an dan additional prize of DM 5,000.

Full information from the IJF, 13 Foulser Road, London, SW17 8UE.

British groups have won the last two competitions. In 1983 it was Macondo and last year the quartet First House took first prize.

*

London Festival Ballet is to give the world première of Ronald Hynd's *Coppelia* on Tuesday July 2 at the London Coliseum at a charity gala to benefit the Save the Children Fund and the LFB Development Trust.

Principal dancers will be Festival Ballet's artistic director Peter Schaufuss (Franz) and Eva Evdokimova (Swanilda) with Niels Bjorn Larsen as Dr Coppelius.

The production has been made possible by £85,000 worth of sponsorship from Barclays Bank, and £25,000 from the Government's Business Sponsorship Incentive Scheme.



## Arts Guide

*Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.*

### Music

**May 31 – June 6**

**LONDON**

**Royal Philharmonic Orchestra** conducted by Antal Dorati with Nathan Milstein, violin. Bach and Brahms. Royal Festival Hall (Tue). (928 3191).

**Handel Opera Chorus and Orchestra** conducted by Charles Farncombe with Elizabeth Vaughan soprano and Ryland Davies, tenor. Arias and choruses. Queen Elizabeth Hall (Tue). (928 3191).

**London Symphony Orchestra** conducted by Omri Hadari with Andrew Haigh, piano. Rossini, Vaughan Williams, Grieg and Beethoven. Barbican Hall (Tue).

**Northern Sinfonia** conducted by Richard Hickox with John Lill, piano. Beethoven. Barbican Hall (Wed).

**Jacques Loussier trio.** Back to play Bach. Royal Festival Hall (Thur).

**The King's Consort** with Emma Kirkby. Vivaldi, Corelli and Geminiani. Queen Elizabeth Hall (Thur).

**London Symphony Orchestra** conducted by James Paul with Santiago Rodriguez, piano. Mendelssohn, Beethoven and Tchaikovsky. Barbican Hall (Thur).

**PARIS**

**Jose Carreras Recital** (Mon). Théâtre de l'Athenée (742 6727).

**Orchestre de Paris Mozart Festival** with Daniel Barenboim as conductor and piano soloist (Mon, Wed). Salle Pleyel (561 0630).

**Paul Kuentz choir and orchestra:** Bach Magnificat (Tue). Saint-Severin Church (563 7480).

**Orchestre National de France** conducted by Seiji Ozawa, Martha Argerich, piano: Berlioz, Chopin, Beethoven (Thur). Théâtre des Champs Elysées (723 4777).

**Perspective 2:** Ensemble Intercontemporain conducted by Peter Eotvos with Yumi Nara, soprano, Elisabeth Laurence, contralto (Wed, Thur). Centre Pompidou, Grande Salle (260 9427).

**Quatuor Arcana,** Ensemble Orchestral de Paris soloists: Brahms, Schubert (Thur), Salle Gaveau (563 2030).

**WEST GERMANY**

**Berlin,** Philharmonic: The New York Philharmonic Orchestra, conducted by Zubin Mehta. Mahler and Bach (Mon).

**The Berlin Philharmonic** orchestra *conducted by David Zinman.* Gluck, Mozart and Dvorak. Soloist is Alfred Brendel (Tue, Wed).

**ITALY**

**Rome;** *Auditorium Via della Conciliazione:* Carlo Maria Giulini conducting Verdi and Beethoven (Mon and Tue). Giuseppe Sinopoli conducts Mendelssohn and Schubert (Thur). (654 10 64).

**NETHERLANDS**

**Amsterdam,** De Meervaart (Osdorpplein 67). Throat singers and drum dancers perform traditional Inuit music from northern Canada (Mon, Tue). (10 73 93).

**Amsterdam,** Tropeninstituut (Mauritskade 63). Korean court and folk dance music performed by an ensemble from the National Classical Musical Institute, Seoul (Mon). (92 31 80).

**Amsterdam,** Kleine Komedie Theatre. Blue's blue and Kantrimiusik by Mauricio Kagel, with the composer conducting the Festival Ensemble with soloists and vocalists (Wed). (24 05 34).

**Amsterdam,** De IJsbreker (Weesperzijde 23). The Canadian Electronic Ensemble of Toronto (Wed, Thur). (68 18 05).

**VIENNA**

**Baroque Concert** with Gundi Klebel, soprano, and Christa Pesendorfer, harpsichord, Bach, Bernhards Kapelle (Tue and Wed).

**Leipzig Chamber Orchestra** conducted by Kurt Masur with Philipp Eisenberg, harpsichord. Dessau, Bach and Beethoven. Konzerthaus (Wed), with Gidon Kremer, violin, and Yo Yo Ma, Cello. Brahms (Thur).

**WASHINGTON**

**National Symphony** (Concert Hall): Conductor, Mstislav Rostropovich; violinist, William Steck: Bach, Brahms, Copland (Tue); conductor *Mstislav Rostropovich: Wagner*, Mahler (Wed, Thur). Kennedy Center (254 3776).

**CHICAGO**

**Chamber Players of Chicago** (Orchestra *Hall*): Beethoven, Brahms, Mozart (Wed-545). (435 8122).

## Saleroom/Antony Thorncroft

# The best of British

Anyone who missed out on the modern British pictures auctioned at Sotheby'a last month has another opportunity on Friday when Christie's offers some equally impressive works. This is one sector of the art market where prices have lagged behind critical re-appraisal, and compared with the *Impressionists, post-Impressionists*, and even High Victorian pictures, the best items seem remarkably cheap.

Among the artists coming back into fashion is Sir George Clausen, *and a very typical* scene of rural realism, *The midday rest*, which shows a woman suckline her child by a hay rick, should approach the £50,000 mark.

Another British school in favour is the Camden Town, with *The Hat Shop*, by Sickert, likely to sell for £20,000; *Camden Nude*, by Spencer Gore, for up to £30,000; and *Snow* in *Bloomsbury*, by Charles Ginner, for around £15,000.

High fashion portraits are not yet in great demand so a painting by one of the leading artists in this field, Sir John Lavery, looks cheap with a £12,000-£18,000 estimate: it is of a girl, in a red dress, reading by a swimming pool, and was included in the recent Lavery exhibition in Ireland.

Augustus John was so prolific that his works have never commanded the prices his talent justifies and an interesting *Composition gothique* might only make £5,000. A Mark Gertler still life of flowers, once in the collection of Mrs J. B. Priestley, also looks cautiously estimated at around the same sum. Lowry and Paul Nash, *Glyn Philpot and* David Bomberg are all included, along with the old regulars, Munnings, Montague Dowson and Russell Flint.

Tha Earl of Bradford, in his battle to meet death duties, is having to sell his collection of Dutch engraved glass — at Christie's tomorrow. This is unusual in not being a family heirloom—the young Earl has built up the collection in the last few years. It was a good time to specialise in Dutch glass and the 70 lots should raise in excess of £250,000, with a goblet by Frans Greenwood, with an engraving of a woman selling fish, carrying the top estimate of up to £20,000.

Sotheby's is holding its annual nautical sale on Wednesday. American buyers will be interested in Napier's painting of *The Confederate Armed Cruiser "Shenandoah" engaging enemy ships in action*, signed and dated 1865: it should exceed a *£30,000* top estimate.

# TECHNOLOGY

EDITED BY ALAN CANE

# Banking on an electronic future

**Alan Cane examines a different approach to bank automation**

"TOMORROW'S banking hall today" would be a fair description of much of the new electronics for retail banking now being marketed by the major suppliers.

There are few surprises. Most of the devices now on offer have been anticipated in a thousand pictures of the shape of the banking hall of the future, painted by prophets of electronic banking over the past few years.

But if these devices—counter terminals, customer terminals, banking workstations — are much of a muchness, there are clear differences between manufacturers in the underlying philosophy of office automation.

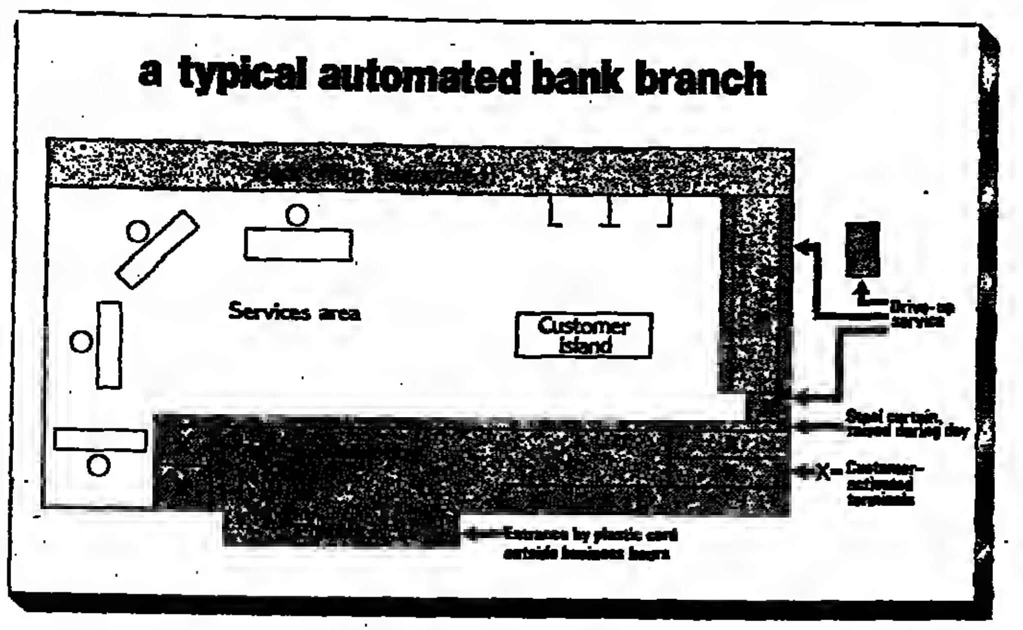
Philips, for example, places emphasis on the use of a branch controller, a small but powerful minicomputer based in each branch controlling all the devices in that branch together with communications to other branches and head office.

Burroughs, which today announces a new family of banking products under the general title, Financial Systems Architecture, takes a different approach.

All its banking machines are basically personal computers (or workstations, as it likes to think of them) with special pieces of hardware added to turn them into teller terminals, customer terminals and so on.

The branch system is therefore built up of personal computer building blocks, any one of which can be designated the controlling computer.

Burroughs argues that this makes for greater reliability at low cost, since control of the system can be switched to any of the other workstations in the branch should the controlling workstation fail, a facility not available to those with a single dedicated branch controller.




However, Dr Richard Horsnell, managing director of Philips Business Systems in the UK, points out: "Fortunately, we are nowadays able to guarantee 99.9 per cent reliability—in effect, military standards of performance."

Burroughs is, in one sense, re-entering the retail financial services market and a little lete at that. Philips, Olivetti and IBM are already ahead in installing this new generation of banking products. Olivetti and Philips, in particular, have made strong sorties into the building society market. Both have show branches up and running — Olivetti in Aalborg, Denmark, as long ago as November 1982, Philips in Sveavagen, Sweden.

Burroughs has been and still is a major player in retail financial services technology; its front office terminals were ubiquitous in the early days of electronic banking.

Mr Stuart Law, international marketing manager for Burroughs financial products, explains that the new architecture has been in development since 1982, based on the premise that the traditional financial services branch would be increasingly under threat.

The competitive pressures include traditional opponents like other banks and near-banks, but increasingly retailers, mail order houses, new financial services and new delivery methods.

But the banks have the advantage of an established network of branches which they can exploit in offering additional services including insurance, stocks and shares, travel, real estate and custom financial packages.

That does, however, raise questions about the ability of branch management and staff to change from an essentially passive role to become sales- - - The need for electronic assistance is clear, but everybody agrees it is not an instant panacea.

Dr Catherine Smith, in *Retail Banking in the 1990s*, quotes suppliers as saying: "In banks, the lack is not in technical development staff. The lack is in productive development staff and sales staff. The marketing staff in banks are not sufficiently attuned to the product requirements of the customer base. As a result, they rarely specify the functions to which customers will respond.

"The technical staff, far removed from the front line customer contact, are often left to decide the functions which their equipment will perform."

Mr Law believes the banks are set to invest heavily in technology to provide better conventional services for the counter and the various offices of the branch and to provide new services.

To do this, the equipment will have to be able to provide a local branch information file with electronic profiles of the branches' customers on-line.

There will have to be integrated word and data processing and all the most sophisticated management aids — spreadsheets, models, graphs, expert systems.

Some services will have to be operated by the customer.

The traditional banking counter will disappear and be replaced by open banking halls with cash dispensers and terminals enabling customers to query accounts and pay bills.

Mr Law argues the best way to achieve this is to replace the traditional teller terminal and data-entry terminal with an intelligent multi-function workstation.

The smallest branches might need only two such workstations — the larger, up to 12 in any one system.

Burroughs' candidate for the all-important multifunction workstation is its B25 microcomputer, developed by Convergent Technologies.

With a 130 megabyte fixed disk added, each B25 can become the branch processor.

The system can also feature automatic encryption through a plug in "black box" containing all the electronic wizardry to code and decode messages.

With the widespread use of this generation of systems from Burroughs, Philips, Olivetti and so on, technology for the financial services market will have reached a new level of maturity.

# Heat-saving device that pays for itself

**BY ROB GOLDING**

FERRANTI managers in Edinburgh can tell you that non-stick frying pans were not the only spin-offs from the U.S. space programme.

They are spending £15,000 on a development funded by the U.S. National Aeronautics and Space Administration, that should save them at least that amount on their fuel bills this year.

The technology is the heat pipe which, although widely understood in the thermal efficiency business, has not until now been used in everyday industrial applications.

The engineer responsible for its development was Mr Hugh Scurrah who spent seven years at Bell Aerospace in America and is now chief design engineer for Morr Energy of Kingsbridge in Devon.

The proposal at Bell was that the inside of the wing of the space shuttle should become a vacuum and using the heat pipe principle—rapid condensation and revaporisation—dissipate the excessive heat generated along the leading edge of the wing during re-entry.

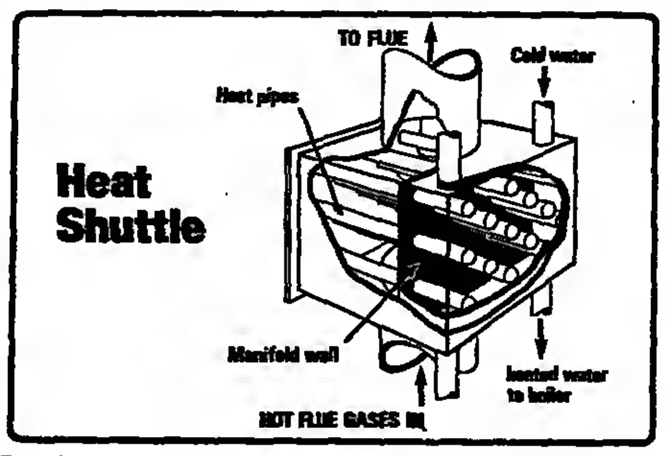
Mr Scurrah brought his knowledge to Britain in 1972 but only in the last year has the technology been refined.

Mr Adam Tucker, general manager of Morr, believes that he can cut by half the energy loss of the most efficient boilers —typically that means improving thermal efficiency from 80 per cent to 90 per cent. If that happens with the central heating boiler at the Ferranti chip plant in Edinburgh, the £15,000 investment will pay back in less than a year.

The principle of the heat pipe relies on a liquid—in this case water—boiling in a vacuum at a lower temperature than in the open air.

When it becomes a vapour it absorbs latent heat and moves to the other end of the pipe at the speed of sound. This end is being cooled so the vapour condenses and gives off heat

Morr is installing a bank of heat pipes in a casing into a section of the flue pipe of the boiler. One end of the pipe projects into the stream of hot flue gases while the other is tapped into a water jacket.






## Satellite hunt for lost cities

ARCHAEOLOGISTS in the Andean jungles are to use satellite technology.

With photographs from the U.S. Landsat Earth-mapping satellite and from a low-flying aeroplane, researchers hope to discover fresh information about the remains of Peru's Gran Patajen.

In two further archaeological investigations involving Landsat, the U.S. National Aeronautics and Space Administration is aiding searches for lost cities in Costa Rica and for signs of human evolution in Kenya.

## Multi-lingual answer phone

Ferranti Computer Systems of Manchester is introducing a set of computer programs that will send messages along telephone lines and translate them into other languages.

The software package will be used in electronic-mail systems. A person sends a voice message to a recipient who is away from his office or home. By dialling a certain number on the public telephone system, the second person gains access to the message.

The sender can ask for the introduction to the message to be received in English, French, German or Flemish.

# The office automation revolution still has a long way to go

**Geoffrey Charlish finds that most office workers have no electronic help despite rapidly growing equipment sales**

OF THE UK's 9.2m office workers, fewer than half have any electronic assistance. The nearest most get to automation, according to a report just out, is a telephone, a calculator and a coffee machine.

Even so, expenditure on office automation in the UK rose from £500m in 1980 to nearly £2bn last year. Of this £1bn was spent on workstations alone. Growth continues at a healthy 50 per cent a year.

But change and cut-throat competition have been the order of the day and 1984 was a year in which the large number of suppliers forced some dramatic price reductions. In addition, Data Logic (Ratheon) withdrew from the market, Exxon Office Systems was purchased by Olivetti, Data Recall became part of Information Technology (ITL), ICL was bought by STC and a number of fringe companies pulled out altogether.

A key fact to emerge is that there are now more personal computers (PCs) being used primarily for word processing than there are dedicated word processors (WP).

Nevertheless, the WP specialists shipped nearly 40,000 workstations, including nearly 11,000 typewriter upgrades to WP. But they were outperformed by the PC vendors, who supplied over 63,000 machines thet were to be used mainly for WP.

Some 70 per cent of sales of these dedicated or PC-based word processors were fairly equally divided between DEC, Triumph Adler, IBM, Olivetti, ICL and Wang, with shares of 14, 12, 12, 11, 11, and 10 per cent respectively.

Electronic typewriter sales at 175,000 units were 30 per cent up on 1983—the 60 per cent growth of 1983 could not be sustained. There are now almost 500,000 installed in Britain and although this is less than half the number of manual and electromechanical machines, it is a remarkable achievement in five years.

Electronic typewriter prices came down by 25 per cent in 1984 and there was increasing penetration by the Japanese (who now import more office machines of all kinds to the UK than Germany, Italy or the U.S.).

Olivetti still leads in electronic typewriters with 28 per cent of the UK market, followed by Triumph Adler (17 per cent), Olympia (17 per cent) and Canon (13 per cent).

The report by Wharton Information Systems says the heady PC days of 1982-83, when six-fold increases were registered, were not equalled. Sales of PCs grew by 83 per cent in 1984 with over 150,000 machines sold for office use. More than 250,000 are now in use.

In PCs the leaders in 1984 according to Wharton were IBM (32 per cent), ACT (30 per cent) and Apple (6 per cent).

Software has improved. Until recently, PC packages for word processing were relatively unsophisticated and poorly supported. Keyboards, character presentation on-screen and limited memory all combined to give woefully slow results and frequently much irritation. But that has all changed, which is why PC word processing has become so popular.

Sales have grown despite the recession, the report says, because over 40 per cent of office workers are employed by local and central Government who have, according to Wharton, been largely untouched by the recession.

Many others are in service industries, which have also avoided the worst. Employers everywhere are trying to get more out of employees—and office automation is one good method.

But there are two sides to the coin. According to research at Xerox in adopting office automation the good staff get better but the bad ones get worse.

*OASIS report on the UK, Wharton Information Systems, Richmond, Surrey (01-940 7366).*

# Spain pins its hopes on small cars

By Kenneth Gooding, Motor Industry Correspondent

AS SPAIN gears up for entry to the European Community next January, its motor industry in many ways is a microcosm of the West European industry as a whole. There is excess capacity, extremely severe competition and most of the producers are in a sorry financial state.

The Spanish Government, unwilling to give more money to the sector without the prospect of a reasonable long-term return, has done some homework and concluded that Spain could consolidate its position as Western Europe's small car production centre.

The reasoning goes something like this. Small cars usually bring small profits. But labour is cheaper in Spain than in the other major motor industry production countries: West Germany, France, Italy and the UK.

There is a well-established component manufacturing sector to service the assembly plants while Spain, itself a relatively big market for small cars, is also close to Italy and France where small cars predominate.

So the Government bas sent out signals to the manufacturers indicating that this is an opportunity they must seize—and that it will support their efforts to capture more of Europe's small car production.

The industry is still mulling this over. It has just breathed a heavy sigh of relief because a potentially serious threat to its future bas been removed now that the terms of Spain's entry to the Common Market have been agreed.

There bad previously been the remote—but worrying—prospect that Spain might be denied entry to the Community and that the privileges it bad been receiving from the Common Market countries—including the low import tariff of only 4 per cent on cars—might be removed. If Spanish cars bad to pay the 11 per cent tariff imposed on other non-Community countries, its small cars would not look such a bargain.

Spain has only one national car producer, the Seat company. The others — Renault, the Peugeot-Citroen-Talbot group, Ford and General Motors—have for some time been using Spain as a low-cost production base to supply their European dealer networks.

If the tariff advantage bad been snatched away, the two French groups in particular would have had to think very carefully about the future prospects for their rather ancient factories in Spain.

Even now, however, the car producers have many short-term problems. And the industry's ills are startlingly similar to those affecting the volume car producers in other parts of Europe.

To start with, in spite of the large tariff barriers Spain erected to protect its motor industry—imported cars pay a 36.7 per cent duty—competition is fierce because so many producers are fighting for a share of a market which shows no real growth.

New car sales peaked at 663,000 in 1977 and then drifted to only 400,000 in 1981. They recovered in the following two years to reach 522,000 in 1983 but eased back last year to 495,000. The industry believes registrations may climb back to 510,000 this year even though real disposable incomes in Spain are falling and interest rates are high, encouraged by the Government's determined attack on inflation — down from 12.2 per cent in 1983 to 9 per cent last year and an official target of 7 per cent by the end of the year.

Ford of Spain's managing director, Mr Patrick Byrne, says: "We are still planning on growth in the Spanish market, but we have cut back our expectations. We see the industry growing slowly and steadily and one day domestic sales must take off."

On the production front, Spain overtook the UK as long ago as 1980. It is the sixth-largest car-producing country in the world.

Last year output inched ahead from 1.14m to 1.17m thanks to Spain's success as an exporter.

The country exported 61 per cent of the cars it produced last year compared with 56 per cent in 1983 and well ahead of any competitor. Japan and West Germany managed just over 50 per cent each.

Far from being delighted by this achievement, the industry has complained to the Government that the high export percentage has more to do with the depressed domestic market than any other factor.

The Spanish industry could produce 1.5m cars annually, so last year's output left 22 per cent excess capacity. That excess has been up to 30 per cent in recent years and prompted cut-throat competition.

Among other things, this held retail prices in check. Ford's Mr Byrne estimates that car prices have been lagging the retail price index by roughly 0.5 per cent a year. The industry has fallen behind inflation by between 1.8 per cent and 2.3 per cent in the past three years, he says.

Add to this the fact that there has been a flurry of new or "facelifted" models in the small car sector which predominates in Spain—models such as the Peugeot 205, the new Renault R5, the revamped Fiesta and the new Opel Corsa from General oMtors—and it is not surprising that most of the companies suffered losses last year.

The exceptions were FASA-Renault which has indicated it just about broke even in 1984 following a very sharp fall in its exports, down 40.2 per cent from 111,707 to 66,860 because of Renault's problems in France. Ford of Spain, which saw profits fall from about $70m in 1982 to around $28m in the following 12 months, did "significantly better" last year. (Spanish companies do not have to finalise accounts until the end of June).

Ford's relative success emphasises another factor in the competitive car market—like the UK and West Germany, Spain has become a battlefield in the major struggle between the U.S. giants, Ford and GM.

In 1982 GM's $1bn plant at Zaragosa came on stream, marking not only the entry of the world's largest vehicle producer to the Spanish market but also to the small car sector in Europe with the Opel Corsa/Vauxhall Nova models.

Dr Horst Herke, chairman and managing director of GM of Spain since June last year, insists the new venture has done very well on the manufacturing side—"in performance, quality and productivity, and in the application of modern technology."

Sales in Spain have also been in line with expectations. A network of 150 dealers has been set up, with more to come, and GM, which was selling only a handful of high-priced imports until the Zaragosa factory started up, achieved a 9.6 per cent market share in 1983 and 1984 and 11.9 per cent in the first quarter of this year.

Dr Herke admits, however: "We are reasonably satisfied but the bottom line is not yet pleasing the shareholders."

GM expected its Spanish offshoot to be profitable by now. But, according to Dr Herke: "Profit is not around the corner, it is on the horizon."

Ford's financial results are better than GM's partly because the Ford plant at Valencia was set up in 1976 and has been amortised since then. GM of Spain still has heavy borrowings.

Ford also produces a wider range of cars for the domestic market, having added Escort and Orion assembly at the factory originally built to produce only the Fiesta.

While Ford makes money by exporting Fiesta components, including engines, GM has to import the engines for the Corsa/Nova from its new plant in high-cost Austria. (GM expected that, by the time Zaragosa came on stream, Spain would be in the Common Market).

Dr Henke says his company has been having discussions about edding another model to the one being produced at the moment.

"We would like another leg to stand on with another Spanish-built car," he says, "but we don't want to be like some other manufacturers in Spain with lots of models produced at uneconomic, low volumes."

It would not involve vast expenditure to add another model to Zaragosa's assembly operations, but GM still has to win Government approval to import the components without paying the 36.7 per cent tariff. It wants a Government declaration that the project will qualify for low-interest loans.

Ford expected to lose ground after the GM Corsa was launched in Spain. Its market share dropped from 16.1 per cent in 1982 to 13.8 per cent in 1983. But the arrival of the locally-built Orion, Ford's small diesel engine and the "facelifted" Fiesta early in 1984, enabled Ford to reach 14.1 per cent penetration last year and 15.2 per cent for the first quarter of 1985.

Last year Ford moved back to the top of the production league table in Spain with an output of 262,099 cars (up from 221,912 in 1983) compared with GM's 259,971 (246,340).

However, Mr Byrne believes Ford's output will fall in 1985 because export demand is not growing and disruptions to production because of an industry-wide pay dispute have already begun to be felt.

In contrast, Dr Henke hopes GM will produce 270,000 cars in Spain this year, near the maximum two-shift capacity, following the introduction of five-door versions of the Corsa/Nova.

Ford continues to invest in Spain and last year spent $40m to bring into production a new 1.3 litre engine for the Fiesta.

Meanwhile, the Spanish Government is negotiating the sale of a controlling interest in Seat to Volkswagen.

The Seat executives hope their company will eventually be used to produce Volkswagen's smallest car, the Polo.

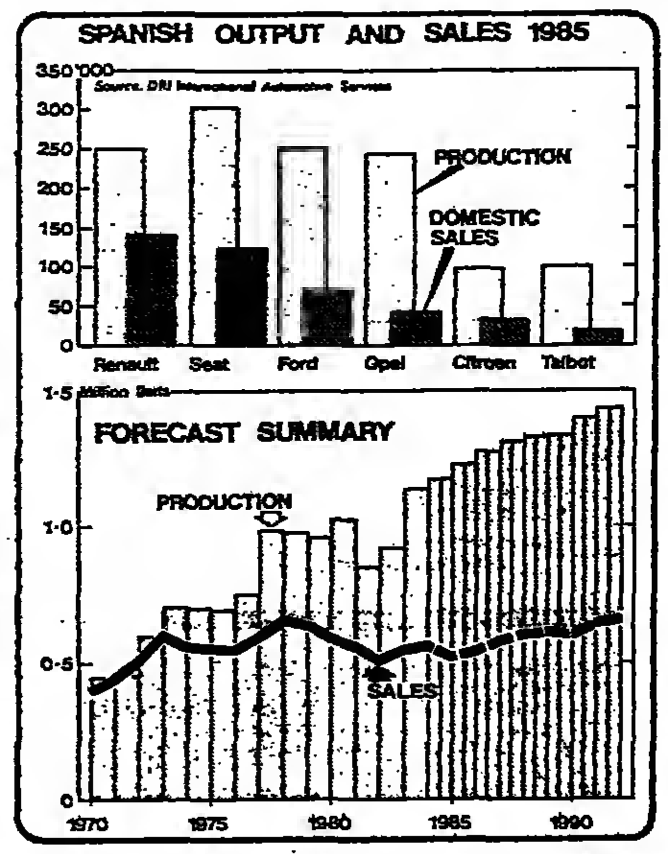
The Spanish Government's recent indication that it will do what it can to turn Spain into Western Europe's small car production centre was almost certainly influenced by Seat's interest in capturing the Polo business.

There are also the Japanese to be considered. Spain's tariff barriers so far hove kept their presence in the car market at a low level.

However, in the commercial vehicle field, Nissan has taken control of Motor Iberica and bas already dropped some hints that it might extend the range from vans and four-wheel-drive vehicles to cars. Suzuki has linked with Land Rover Santana to assemble a small, all-wheel-drive vehicle, but has also suggested it might follow up by offering its (rather limited) car range as well.

Critics of the Spanish Government's proposals argue that it is illusory to conclude that Spain is a low-cost production country. While the cost of labour is probably 30 per cent below that in West Germany, labour accounts for only 25 per cent of the total cost of building a car. Energy and materials cost just as much in Spain.

If the Government wants a healthy industry, the critics insist, it should cut taxes on cars and stimulate domestic demand.



Leighton Morris

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 12½% | C. Hoare & Co. | 12½% |
| Allied Irish Bank | 12½% | Hongkong & Shanghai | 12½% |
| American Express Bk. | 12½% | Johnson Matthey Bkrs. | 13 % |
| ■ Henry Ansbacher | 12½% | Knowsley & Co. Ltd. | 13½% |
| Amro Bank | 12½% | Lloyds Bank | 12½% |
| Associates Cap. Corp. | 13 % | Edward Manson & Co. | 13½% |
| Banco de Bilbao | 12½% | Meghraj & Sons Ltd. | 12½% |
| Bank Hapoalim | 12½% | Midland Bank | 12½% |
| BCCI | 12½% | ■ Morgan Grenfell | 12½% |
| Bank of Ireland | 12½% | Mount-Credit Corp. Ltd. | 12½% |
| Bank of Cyprus | 12½% | National Bk. of Kuwait | 12½% |
| Bank of India | 12½% | National Girobank | 12½% |
| Bank of Scotland | 12½% | National Westminster | 12½% |
| Banque Belge Ltd. | 12½% | Northern Bank Ltd. | 12½% |
| Barclays Bank | 12½% | Norwich Gen. Trust | 12½% |
| Beneficial Trust Ltd. | 13½% | People's Trust | 14 % |
| Brit. Bank of Mid. East | 12½% | Provincial Trust Ltd. | 13½% |
| ■ Brown Shipley | 12½% | R. Raphael & Sons | 12½% |
| CL Bank Nederland | 12½% | P. S. Refson | 12½% |
| Canada Permanent | 12½% | Roxburghe Guarantee | 13½% |
| Cayzer Ltd. | 12½% | Royal Bank of Scotland | 12½% |
| Cedar Holdings | 13 % | Royal Trust Co. Canada | 12½% |
| ■ Charterhouse Japhet | 12½% | ■ J. Henry Schroder Wagg | 12½% |
| Choulartons** | | Standard Chartered | ‖12½% |
| Citibank NA | 12½% | TCB | 12½% |
| Citibank Savings | ¶12½% | Trustee Savings Bank | 12½% |
| Clydesdale Bank | 12½% | United Bank of Kuwait | 12½% |
| C. E. Coates & Co. Ltd. | 13½% | United Mizrahi Bank | 12½% |
| Comm. Bk. N. East | 13 % | Westpac Banking Corp. | 13 % |
| Consolidated Credits | 12½% | Whiteaway Laidlaw | 13½% |
| Co-operative Bank | *12½% | Williams & Glyn's | 12½% |
| The Cyprus Popular Bk. | 12½% | Wintrust Secs. Ltd. | 12½% |
| Dunbar & Co. Ltd. | 12½% | Yorkshire Bank | 12½% |
| Duncan Lawrie | 12½% | | |
| E. T. Trust | 13 % | | |
| Exeter Trust Ltd. | 13½% | | |
| First Nat. Fin. Corp. | 13½% | | |
| First Nat. Secs. Ltd. | 13½% | | |
| ■ Robert Fleming & Co. | 12½% | | |
| Robert Fraser & Ptns. | 13½% | | |
| Grindlays Bank | ‡12½% | | |
| ■ Guinness Mahon | 12½% | | |
| ■ Hambros Bank | 12½% | | |
| Heritable & Gen. Trust | 12½% | | |
| ■ Hill Samuel | §12½% | | |

■ Members of the Accepting Houses Committee.
* 7 day deposits 9½%, 1 month 10¼%. Top Tier—£2,500+ at 3 months notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10¼%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9¼%.

# INTL. COMPANIES & FINANCE

## Mobil: day of the number cruncher

By William Hall and Ian Hargreaves

AFTER 15 years in power, the top management team at Mobil is quietly handing over to a new generation.

But as the new men take their seats inside Mobil's anonymous headquarters opposite Grand Central Station, the rest of the oil industry is not sure whether to expect fireworks or more of the same from the number two U.S. oil company.

With its debt burden more than doubled following last years' $5.7bn takeover of Superior Oil, its return on equity stuck since 1982 below the average for all of U.S. industry and its share price at a 65 per cent discount to asset value, some Wall Street people think Mobil's new bosses have some hard decisions ahead of them.

The critics say that since Mobil cannot afford, like Exxon and Amoco, to boost its share price by purchasing its own stock, it will have to pursue a more radical restructuring, if it is to escape a shareholder rebellion.

Those who think that, however, have either not been listening to Mr Allen Murray, 57, Mobil's new chief executive, or

**BIG OIL ADJUSTS**

they don't believe him. "I don't see any dramatic changes," says Mr Murray, "I think we've been on the right path."

A night school-trained accountant and wholly different in style from his Princeton-educated predecessor, Mr Rawleigh Warner, Mr Murray adds: "There is no question we have some problems. All of the industry does. Oil and chemical operations face severe industry overcapacity. Worldwide oil prices have been weak and competition in gasoline markets was worse last year than at any time I can remember." The current cutbacks taking place within the oil industry are, he thinks, "a normal thing which happens to a mature industry."

Certainly Mobil's own retrenchment has followed the industry pattern. The company has, since 1980, closed or sold six refineries, reducing its capacity by 18 per cent; it has trimmed its workforce by almost a fifth; got out of some petrol markets and intesified its presence in others and has sold $1bn of surplus assets.

Mobil has also moved to undo its errors of diversification, most spectacularly by taking a $500m write-off on Montgomery Ward, its department store chain, in order to make Ward attractive to potential purchasers.

On the other side of the balance sheet—expansion—Mobil has also followed the industry pattern. After failing with bids for Conoco and Marathon, it finally succeeded in wooing Superior; a notable prize among the recent clutch of oil industry mergers, since Superior is virtually all in North America, still the most desirable oil province, and has no downstream operations. At a stroke, Mobil increased its worldwide oil and gas reserves by one-sixth.

But in some respects, Mobil does not fit the industry pattern. Partly this is a question of Mobil's style—a blend of introversion and aggression which has led, among other things, to a complete embargo upon any contact between the company and the Wall Street Journal. A more substantive difference, traditionally, has been Mobil's relationship with Saudi Arabia.

Mobil, under the leadership of Mr Warner and Mr William Tavoulareas, made the pursuit of close ties with the oil-rich Kingdom an article of faith. As other companies became nervous of their dependence upon the Saudis, Mobil increased its equity in Aramco (the partnership involving Texaco, Mobil, Chevron and Exxon which provides technical assistance to the Saudis and receives preferential rights to lift oil in return); and piled hundreds of millions of dollars into joint refinery and chemical ventures with the Kingdom.

Mr Murray is widely considered to be a sceptic about this Saudi strategy, which since 1983 has cost the company undisclosed sums whenever Saudi crude has been officially priced above the prevailing spot market level.

Last year, Mobil received 486,000 b/d of crude and natural gas liquids from "long term and special arrangements" with "other eastern hemisphere countries," according to its accounts. This crude, virtually all of it Saudi, is more than Mobil produced from the U.S. and the North Sea combined last year. A dollar a barrel loss would cost the company $177m in a full year.

The fact that Mobil has sharply reduced its offtake of crude in this category suggests the message has not been entirely lost in New York. The 1984 total is down from 898,000 b/d in 1982—a 46 per cent drop. This compares with an overall drop in Saudi output of 80 per cent.

Mr Murray plays his cards close to his chest on the matter when he says he hopes Mobil still has "a special relationship" with Saudi Arabia. "Sooner or later the supply and demand lines are going to cross. To turn your back on the country which has the most reserves in the world and not to make sure that you have a solid position and an ability to get hold of that oil to supply your markets is a mistake."

Behind the scenes, however, Mr Murray, as part of a general financial tightening, has taken an unprecedently tough line on Saudi supplies, more in common than is admitted with the policy of Chevron and Texaco, both of which have cut their Saudi connections to the bone. Following a stormy meeting with Sheikh Yamani in Houston last month, the Aramco partners are expected to cut their offtake of Saudi crude from over 1m b/d to around 500,000 b/d.

This indeed may be the key to the Murray style—to smile and say that nothing is changing just as the furniture is being moved. He admits that his review of saleable assets, being carried out with the assistance of Goldman Sachs, is turning over every asset in the company—"almost service station by service station."

This spirit has even extended to the upstream exploration and production side, where Mobil has adopted Superior's practice of setting up a specialised drilling department, with full responsibility for costs and performance, so that top management knows where the buck should stop when budgets are exceeded.

Although Mobil's record of replacing its reserves has been, by the oil majors' standards, quite good, its findings costs are a third higher than Superior's. The company has also suffered a patchy exploration success rate with 45 per cent of its exploration wells dry last year—a bad result by any standards.

The Superior acquisition, clearly, is to be used to ginger up Mobil's own operations. One-third of the managerial vacancies which have occurred corporation-wide since the merger have been filled with Superior people. At the same time, there are considerable economies of scale—40 per cent of Superior's staff, mostly administrative jobs, have left since the merger.

With Superior's strength in North America, Mobil does now have a strong portfolio of near-term upstream opportunities. The company has had major successes in Mobile Bay, offshore Alabama, which should be producing by late next year, and the large Hibernia field off Newfoundland seems at last to be moving towards development. Meanwhile Mobil's Indonesian gas interests, a jewel in the corporate crown, continue to grow, as do the company's North Sea activities.

Perhaps Mobil's biggest strategic problem is to convince investors that this strength upstream, which accounted for all but a small fraction of Mobil's profits last year, will not be dragged down by the company's continued commitment to the principle of oil company integration, reflected in its downstream, chemical, refining and market activities.

These activities continue to demand significant capital spending—over $650m last year—and comprise a large proportion of the company's asset base.

No one now expects performance to be turned around by a significant improvement in demand — indeed chemicals profits continued to be anaemic last year in spite of a booming U.S. economy.

With such a large volume of non-performing assets, Mr Murray is bound to have real difficulty improving Mobil's

**BIG OIL ADJUSTS**

financial ratios—9.2 per cent return on equity last year and net earnings of $1.26bn, which represents a cover of only 1.4 for the shareholders' dividend. In only one of the six past years has Mobil's cash flow covered its capital spending and dividend costs.

What Mobil hopes is that having invested heavily in modern capacity downstream, the higher-cost capacity of competitors will be shaken out in the next few years, leaving Mobil well placed for the 1990s.

These days, that is no more than the standard oil man's prayer. The industry has convinced itself that the next few years will be hard but that in the 1990s the good times will roll again. But for a company like Mobil, with $11bn of debt on its shoulders, the years immediately ahead could turn out to be quite tricky if oil prices slide and demand fails to recover, as is perfectly possible.

It is a period for controlling costs and paring the business back to basics. In such periods, number crunchers like Allen Murray, who are not afraid of slaying sacred cows, have their day.

*The first article in this series appeared on May 23.*

Ian Rodger on a Norwegian group's push into higher value alloys

# Elkem discovers its main driving force

ELKEM, the Norwegian metals group, is hoping that its London stock market debut this week will mark the beginning of a major change in image.

The company has acquired a reputation as a fairly volatile performer in recent years, in terms of both profits and share price. But folowing a major restructuring programme, the directors believe that Elkem will do better on the upswings and suffer less on the downswings than it has in the past.

There is already evidence of change in the performance of the shares this year. The group has been forecasting an earnings decline for 1985, but the shares have remained firm in the NKr 145 range for some time. They plunged to a low of NKr 33 in 1983.

The fruits of the restructuring will take a little more time. One of the last elements was completed only two weeks ago, when the group sold Manchester Steel, the British mini-mill operator.

## Electric power

Mr Kaspar Kielland, then an executive vice-president and now president, recalls: "We wanted to find out what was the driving force of Elkem, what were we in command of. And we soon realised it was our ability to convert electric power into metallurgical products."

The company was already a strongly established supplier of aluminium, ferro-alloys and silicon, all of which require huge amounts of electric power to produce. It was also the leading maker of furnaces and other equipment for producing ferro-alloys.

Some company officials were concerned that there was not much growth in some of these businesses, but Mr Kielland was unimpressed. "You shouldn't fall into the trap of saying something is no good anymore just because it is mature. If you have a competitive advantage, you should stay in."

As a result, the group, which derived a third of its revenue from steel in 1980, is out of steel completely. It is also out of copper mining which accounted for another 5 per cent of sales in 1980 and a few small manufacturing businesses.

Mr Kielland: maintaining a competitive advantage

On the other side, following a major acquisition, it has become the world's largest producer of silicon and other metals for alloying with steel and aluminium. Last year, the group's pre-tax profits rose to NKr 658m ($74m) compared with NKr 235.6m in 1983 and heavy losses in 1981 and 1982.

Elkem's restructuring dates from 1978 when the group was faltering, not only because of the growing crisis in steel and mining, but also because of the bewildering variety of businesses it was in, such as nuts and bolts, locks and chainsaws as well as basic metals operations.

The directors decided to take a fresh look at their position.

Elkem was thus ready to take advantage of the opportunity of a lifetime when it came in early 1980. Union Carbide, the diversified U.S. chemicals group, had apparently been going through the same sort of self-examination as Elkem, but its conclusion was that it should get out of ferro-alloys. Even though it was the leading U.S. producer with 40 per cent of output and a 20 per cent home market share, Carbide concluded that it did not have a competitive advantage and should withdraw.

It approached Elkem (the intermediary was none other than Mr Ian MacGregor, currently chairman of the UK Coal Board, but then working for Labard Frere in New York) and the Norwegian quickly agreed to the acquisition, which included three plants in the U.S., two in Norway and two in Canada. The deal meant that Elkem's ferro-alloy and silicon division more than trebled in size.

Elkem's sales in this sector in 1980 were NKr 978m while Carbida's were the equivalent of NKr 2.5bn. The $260m deal was financed over several years and Elkem only took 100 per cent ownership last August. This year, the groups ferro-alloy division will account for about 60 per cent of group sales, compared with less than a quarter in 1980.

The other major division, unchanged in the shake-up, is aluminium, where the company is comfortably placed in a series of partnerships with Aluminum Company of America. The two concerns share ownership of smelters in Norway and fabricating plants in Holland and Wales. The advantage for Elkem is that Alcoa provides an assured supply of alumina and an assured market for about half the output of the smelters.

Having its own hydro-power plants, Elkem is the low cost aluminium producer in Europe so it has no difficulty selling the rest at a profit, even when aluminium prices are weak. Last year, over 40 per cent of profits came from the aluminium division.

The group is modarnising and increasing the capacity of its two smelters, but has no intention of making any more audacious moves in the aluminium sector.

Tha big question than is how good a performance it can get out of the ferro-alloys division? Historically, most of its ferro-alloys went into steelmaking and so were subject to the same volatility as the steel industry itself. Elkem's strategy is to move away from dependence on simple steel alloys, such as high carbon ferro-manganese.

| | Sales £ | Pre-tax profit £ |
|---|---|---|
| 1980 | 3.8bn | 178m |
| 1981 | 4.7bn | 153m* |
| 1982 | 5.2bn | 308m* |
| 1983 | 5.9bn | 236m |
| 1984 | 7.9bn | 658m |

* Loss.

The group wants to concentrate on higher value specialised alloys and on metals for other industries. The change is already well under way. The biggest selling product is now silicon metal, which accounts for about 20 per cent of the division's sales. It is used mainly as an alloy in aluminium and also in silicona rubber compounds and in making integrated circuits.

Elkem's output of silicon has grown from 3,500 tonnes in 1965 to 140,000 tonnes last year, 25 per cent of world output. Again its low cost power is halpful because the production of silicon consumes almost as much electricity as that for aluminium. The company has worked particularly hard to serve the semiconductor market and claims a 50 per cent world share in this fast growing and high value market.

The group also has a few new businesses coming along, including one that is based on using the microsilica dust from its metal operations. This dust, which improves the strength of concrete when used as an additive, is gaining increasing acceptance in the construction market.

## Heavy write-offs

One problem with this and other projects is that Elkem has been badly strapped for cash. The takeover of the Union Carbida assets cost $260m and the various disposals have involved heavy write-offs. Despite a NKr 160m rights issue last year, equity at the end of the year amounted to only 23 per cent of total capital of NKr 8.25bn.

These figures exaggerate the problem somewhat because Elkem understates tha value of its hydro power stations for tax reasons. However, Mr Kielland acknowledges that "it is very important for us to get a better balance sheet," and says he would like to see equity up to about 30 per cent of total capital.

He has set some fairly ambitious financial targets for tha group, including an average return on investment of 16 per cent. Many shareholders might settle for less if the variations from tha average tend to be less violent than they have been in the past.







THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCKS LISTED BELOW ARE NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND.

## ISSUES OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 31st May 1985, and has issued to the Bank, additional amounts as indicated of each of the following Stocks:

**£200 million 11 per cent EXCHEQUER LOAN, 1990**
**£200 million 10¼ per cent CONVERSION STOCK, 1999**
**£200 million 11¾ per cent TREASURY STOCK, 2003-2007**

The price paid by the Bank on issue was in each case the middla market closing price of the relevant Stock on 31st May 1985 as certified by the Government Broker.

In addition, Her Majesty's Treasury has created on 31st May 1985, and has issued to the National Debt Commissioners for public funds undor their management, an additional amount of £150 million of 10 per cent Treasury Convertible Stock, 1990.

In each case, the amount issued on 31st May 1985 represents a further tranche of the relevant Stock, ranking in all respects pari passu with that Stock and subject to the terms and conditions of its prospectus (save as to the particulars therein which related solely to the initial sale of the Stock), and subject also to the provision contained in the final paragraph of this notice. Application has been made to tha Council of The Stock Exchange for each further tranche of stock to be admitted to the Official List.

Copies of the prospectuses for 11 per cent Exchequer Loan, 1990 and 11¾ per cent Treasury Stock, 2003-2007, dated 8th February 1985 and 20th July 1979 respectively, and of the prospectus dated 28th April 1983 for 2½ per cent Index-Linkad Treasury Convertible Stock, 1999 (which contained the terms of issue of 10¼ per cent Conversion Stock,1999) may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA. Tha Stocks are repayable at par, and interest is payable half-yearly, on the dates shown below:

| Stock | Redemption date | Interest payment dates |
|---|---|---|
| 11% Exchequer Loan, 1990 | 12th February 1990 | 12th February<br>12th August |
| 10¼% Conversion Stock, 1999 | 22nd November 1999 | 22nd May<br>22nd November |
| 11¾% Treasury Stock, 2003-2007 | 22nd January 2007, or on or at any time after 22nd January 2003 subject to not less than three months' notice | 22nd January<br>22nd July |

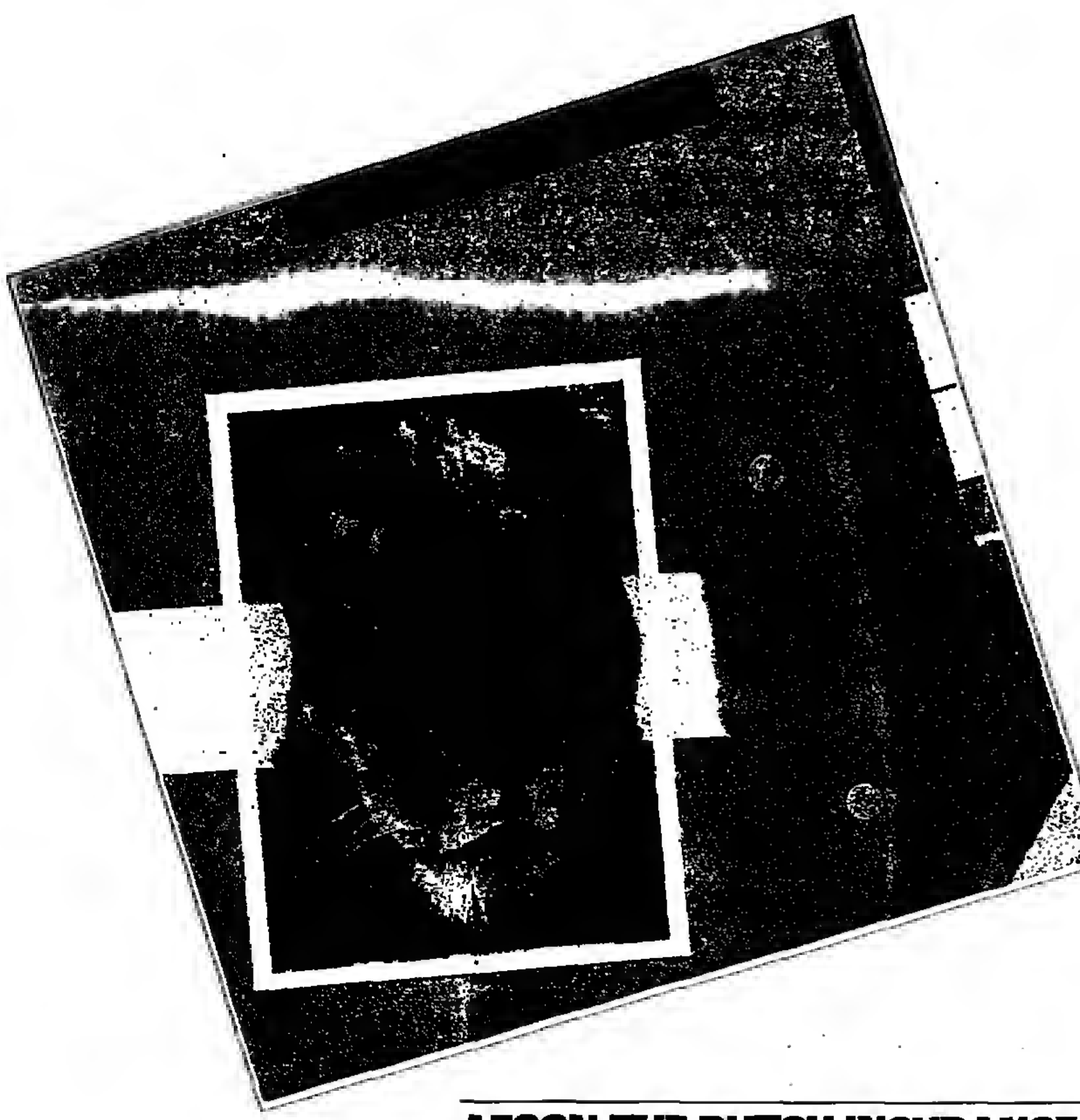
The further tranches of 10¼ per cent Conversion Stock, 1999 and 11¾ per cent Treasury Stock, 2003-2007 will rank for a full six months' interest on tha next interest payment date applicable to the relevant Stock. Tha furthar tranche of 11 per cent Exchequer Loan, 1990 will rank for tha interest payment of £4.6342 per cent due on 12th August 1985 on the existing Stock. Official dealings in the Stocks on the Stock Exchange are expected to commence on Monday, 3rd June 1985.

*Government statement*

Attention is drawn to tha statement issued by Her Majesty's Treasury on 29th May 1985 which explained that in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor tha Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, these further tranches of stock are issued or sold by or on behalf of tha Government or the Bank; that no responsibility can there be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liabla to be set asida nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
31st May 1985









UK NEWS

# Motor industry's trade deficit worsens by 5%

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE IMPROVEMENT in Britain's motor industry balance of payments which was seen in 1984 came to an abrupt halt in the first quarter of this year. The adverse balance worsened by nearly 5 per cent or by £34m to £718.6m.

However, the value of car exports rose sharply to provide some relief from the generally gloomy picture.

Car exports in unit terms remained roughly at the same level as the first three months of 1984 and fell by 238 or 0.4 per cent to 62,400. But their value jumped by 29 per cent or £74.6m to £333.4m.

That reflects the fact that Jaguar in particular is improving its export performance with high-value cars even though there were serious difficulties with Britain's biggest export contract – the supply of Talbot car kits to Iran – in the first quarter of 1985.

Talbot UK, a Peugeot subsidiary, suffered a seven-week interruption to production of the kits (which count as cars in the statistics) because the Iranians could not provide letters of credit.

But Jaguar exports reached a record 8,000 in the first quarter this year, up by 1,000 from the same period of 1984. The company says it is exporting cars worth £2m a day.

The number of cars imported in the first quarter also fell, by 2.95 per cent or 8,581 to 281,743 but their total value rose by 9.55 per cent or £95.8m to £1.0988bn.

**UK MOTOR TRADE FIRST QUARTER**

| | 1984 | 1985 |
|---|---|---|
| **Exports** | **£m** | |
| Cars | 258.8 | 333.4 |
| Comm vehicles | 97.5 | 102.6 |
| Parts, accessories | 558.4 | 649.5 |
| Other products | 200.8 | 205.7 |
| **Imports** | | |
| Cars | 1003.0 | 1098.8 |
| Comm vehicles | 178.4 | 187.0 |
| Parts, accessories | 537.9 | 614.2 |
| Other products | 80.8 | 109.9 |
| **Trade balance** | | |
| Cars | –744.2 | –765.4 |
| Comm vehicles | – 80.9 | – 84.4 |
| Parts, accessories | 20.5 | 35.3 |
| Other products | 120.0 | 95.8 |
| Total balance | –684.6 | –718.6 |

*Source: Society of Motor Manufacturers and Traders from Customs and Excise statistics.*

So the adverse balance in cars increased by £21.2m or 2.8 per cent to £765.4m.

Trade in commercial vehicles, which went into the red for the first time in 1983, continues to give concern. Compared with the first quarter of 1984, the adverse balance worsened by £3.5m or 4.3 per cent to £84.4m.

Shipments to some of the UK's traditional export markets, particularly African countries such as Nigeria, are currently almost non-existent because customers cannot find the currency to pay for them.

According to statistics compiled by the Society of Motor Manufacturers and Traders from Customs and Excise figures, the favourable balance of trade in parts and accessories continued to improve.

But there was a sharp decline in the positive balance for other motor products which include agricultural tractors.

● Shopfloor union leaders at General Motors' plants in the UK intend to hold an international conference with their opposite numbers at GM plants overseas in an effort to strengthen ties and to assure mutual support during disputes.

The conference, similar to one organised by unions at Ford earlier this year, would also have the aim of improving the flow of information among unions at each of the GM plants worldwide.

It would be the first time that unions at GM plants – Vauxhall, Bedford and Delco in the UK – had held such a meeting. The intention is to stage the event in Liverpool and a target of £30,000 has been set to finance it.

Union officials at Vauxhall say it is essential that they build links with GM workforces elsewhere in view of the increasingly international pattern of component sourcing and the impact of new technology.

# Cunard to refit cruise liners in Malta

By Andrew Gowers

ANOTHER row between Cunard Lines and Britain's work-starved shipbuilding industry looks likely after the decision of Cunard, part of the Trafalgar House group, to refit the Cunard Countess and the Vistafjord in Malta.

The decision to have the two cruise liners sent to Malta in 1983 for refits caused a huge outcry in the shipbuilding industry. The move was all the more contentious because the Cunard Countess had only just returned from the Falklands war and the company was then accused by the unions of being unpatriotic.

It is not clear whether British yards were given a chance to tender for the 17,000-ton Cunard Countess and the 25,000-ton Vistafjord, nor is the value of the contracts to the state-owned Malta Drydocks known. But the Countess contract alone is reported to be worth £3m.

Mr John Hepplewhite, chairman of the shipbuilding committee of the Confederation of Shipbuilding Engineering Unions, commented: "We're just about fed up with the lack of patriotism of Trafalgar House and Cunard."

Malta Drydocks has had repeated successes against stiff international competition in recent years.

# Stock Exchange reform 'at risk'

BY JOHN MOORE, CITY CORRESPONDENT

ONE OF the main resolutions leading to a radical reform of the London Stock Exchange will not gain enough support in a vote this week of exchange members, according to an opinion poll published at the weekend.

The opinion poll, carried out by Marplan for Lombard Communications, a public relations firm, has said that only 62 per cent of members will support a resolution supporting constitutional amendments at the exchange. The exchange needs a 75 per cent majority of those voting to enable the constitutional changes to be made.

But the poll shows that Sir Nicholas Goodison, chairman of the stock exchange, will gain enough support for rule changes which will allow full control of stock exchange firms by outside groups. Some 70 per cent of members will support these changes according to the poll.

Outsiders are at present limited to a holding of no more than 29.9 per cent but a simple majority is sufficient to authorise that change.

A meeting of the 4,495 members is to take place on Tuesday at the stock exchange at which a vote will be taken on the changes by a show of hands. But the stock exchange has called for a full poll of the members, who are voting by proxy and in person. The poll takes place on Wednesday on two resolutions – one for relaxing the 29.9 per cent rule and the second resolution for a series of constitutional changes.

The opinion poll, which follows an earlier survey by Marplan for the Financial Times in April, was carried out between May 28 and May 30. In all, 550 members were interviewed by telephone but a high proportion of those interviewed – 44 per cent – refused to disclose their voting intentions. The results of the poll are based on 309 "productive" interviews held.

The poll found:

● 70 per cent of members will support resolution 1, relaxing the stock exchange's shareholding rule limiting outside ownership of member firms to 29.9 per cent stakes. Only 25 per cent are expected to vote against the resolution, which requires a simple majority.

● 62 per cent of members will support a special resolution proposing the constitutional changes to the stock exchange's deed of settlement. Some 30 per cent are planning to vote against, and 7 per cent are undecided.

● 25 per cent of those surveyed consider the resolutions unfair to smaller stockbroking and stockjobbing firms.

● 21 per cent of those voting against resolution 1 considered the proposal ill conceived and insufficiently thought out.

● 23 per cent of those voting against resolution 2 felt that more time for discussion and thought was necessary.

● 10 per cent of those voting against resolution 1 do not like the idea of banks and large organisations being involved with the stock exchange.

● 14 per cent of those intending to vote against resolution 2 felt that a plan to create a market in the shares of the stock exchange itself in order to compensate the members for the participation of outsiders is "inadequate."

Sir Nicholas Goodison has been lobbying extensively at numerous meetings to gain enough support for the changes. If resolution 2, giving effect to constitutional changes, were to fail, he has told members it would "be very serious and could cause substantial damage to the standing of the stock exchange."

He said that the ruling council would proceed with the proposed changes to the membership rules, including the abolition of the 29.9 per cent shareholding rule, if that resolution is passed. The stock exchange would also go ahead with other changes which it has indicated. But the constitution would remain unchanged.

"The council would not put forward any other substantive constitutional proposals in the near future," Sir Nicholas has told the members in the event of the failure of the resolution.

● The Bank of England is expected to reveal today that more than 30 financial groups have applied to become market makers in gilts and that more than £600m of capital will be injected into the market by the participants. This compares with the present capital of £100m to £150m. It has been interviewing potential candidates for a month.

# UK NEWS

John Moore on the problems posed by insurance losses of £130m

## Lloyd's in dilemma over 'rescue'

IS A RESCUE possible for the 1,525 underwriting members of the Lloyd's insurance market facing £130m of insurance claims? Since their financial position emerged in the middle of last month, the Lloyd's market has been buzzing with talk of whether the members should be helped out of their predicament.

As yet, while there is considerable sympathy for the plight of the members, some of whom face financial ruin, little in the form of direct aid has been made by Lloyd's.

The stricken members' affairs are managed by the Richard Beckett Underwriting Agencies company. So far, Lloyd's has made arrangements for management of the members' affairs to pass to a new team, which Lloyd's itself will nominate. That follows the decision by Minet Holdings, a large insurance broker, to close down the agency, which it owns, by the end of the year.

Other than that, Mr Peter Miller, Lloyd's chairman, has stated in categorical terms that Lloyd's itself could not offer financial assistance.

"Underwriting members of Lloyd's," he said, "underwrite with unlimited liability and are responsible for all their underwriting liabilities."

To take account of the members' problems, the deadline by which they have to show that they have enough funds to meet their liabilities has been postponed by two months to July 31.

The public policy of Lloyd's reflects the market's unease with rescues of individual members. Professional underwriters argue that any support for individuals compromises the principle of unlimited liability.

But the situation at the Beckett agency is so extraordinary thet there is support building up within Lloyd's that something should be done to help the members.

Behind the scenes, Mr Graham White, the managing director of the Richard Beckett agency, has held talks with leading market figures, such as underwriter Mr Stephen Merrett, in an effort to draw up contingency plans. Last week Mr White held talks with Lord Goodman, a leading British lawyer, who is heading a steering group of members seeking to protect their interests.

The ideas studied so far include these possibilities:

- A letter of credit end loan arrangements provided by a bank, which would be designed to help the members pass the Lloyd's solvency test by the July 31 deadline. One of the difficulties with such a scheme is the size of the possible losses – £130m – since collateral would be required to support the letter of credit.
- A more manageable contribution from the members of between £7m and £8m to fund the day-to-day cash requirements of the members' insurance trading. Lloyd's objects to that suggestion since it argues that members have to be able to demonstrate each year that they can meet possible future claims, even though the claims may not fall on the members for years.
- A possible contribution from the insurance brokers who introduced the loss-making business to the members.
- The possibility of creating a fund from the members affected to buy a stop-loss insurance policy which would guarantee that their losses would be limited to a manageable level.

One other possibility is the feasibility of the market itself rallying round and meeting the losses through a levy on all underwriting members.

If that course of action were to be chosen, there is a recent precedent. In 1980 Lloyd's took the view that losses falling on a syndicate of members, headed by Mr Frederick Sasse, should be limited to £6.25m with the remaining £15m of losses being met by the market.

So far, Lloyd's is arguing that the losses falling on the Beckett members arise from pure trading exposures. It would only be able to intervene if irregularities surrounding the course of trading demonstrated that the losses resulted from other than underwriting decisions.

The members affected by the losses argue that their worsening trading position comes shortly after a whole range of management problems have been discovered in the running of their affairs. Last year Minet found that £40m of the members' funds had gone missing and alleged that former executives of the agency had diverted the money for their personal benefit.

Even if a market rescue is not made for the members, the problems of arranging loan facilities are considerable. The magnitude of the losses means that Lloyd's has little room for manoeuvre.

## Europe bids for plutonium recycling plant

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITAIN is making a bold bid to provide Europe with a reprocessing plant to recycle plutonium fuel from its first full-scale fast reactors.

Such a facility will be needed as part of the activities of Europe's fast reactor research club, in which the UK has recently joined Belgium, France, West Germany, Italy end the Netherlands in a £300m-a-year research programme.

This club aims to develop a commercial design of plutonium-fuelled fast reactor for the European electricity industry, competitive with uranium-fuelled reactors.

The British Government's Radioactive Waste Management Advisory Committee has said that, overall, taking account of the need to mine less uranium, the radiological impact of fast reactors on the environment will be less than for uranium-fuelled reactors.

Mr Fred Bonner, Britain's chief buyer of uranium fuel for nuclear power, recoils in mock horror at the idea of heading a body called the Uranium and Plutonium Institute.

Nevertheless, he believes that the Uranium Institute in London, of which he is the new chairman, must think of another name that reflects the electricity industry's growing interest in using plutonium – the inevitable byproduct of burning uranium – as an alternative to uranium fuel.

As a big consumer of uranium, he is chairman of an organisation founded ten years ago by several of the world's leading uranium producers, in an attempt to forecast future uranium supply and demand.

Those mining companies – in Australia, Canada, France, South Africa and elsewhere – have never completely lived down disclosures that they had met clandestinely in the early 1970s to try to prevent a collapse of the world price of uranium.

The Uranium Institute, although an imaginative attempt to restore confidence with a more scientific look into the future, has suffered from U.S. industry's dread of any taint of a cartel.

Even now it has only two members from the world's biggest producing and consuming nation for uranium, among its 60 members recruited from 18 countries.

One of Mr Bonner's main targets for the institute is to win more U.S. and Canadian members and thus make it fully representative of nuclear fuel interests in the world outside the USSR-dominated areas. He even has high hopes that China will join shortly – despite Taiwan's existing membership.

Mr Bonner has very convincing credentials as a crusading chairman. He has been deputy chairman of the Central Electricity Generating Board, one of the world's biggest users of uranium, for the past 10 years. He is also chairman of the British Civil Uranium Procurement Organisation, which buys Britain's nuclear fuel.

He believes the Uranium Institute under its founding manager, Mr Terry Price, secretary-general, has done a good job of creating a forum for users and producers to meet in intellectual debate.

But now he believes it is time to move forward. The institute's title is restrictive – "it just makes you think of digging up the stuff." He wants it to embrace the complete nuclear fuel cycle, from uranium ore, through fuel, to the disposal of used fuel and by-product plutonium.

The electricity companies with nuclear capacity – 75 in 1983 increasing to 100 by 1990 – will become increasingly disenchanted with the cost and risks of simply storing plutonium and will want to burn it as fuel. In the long run, that must affect demand for uranium, Mr Bonner says.

The institute estimates that, as a result of recession, reduced electricity demand, and widespread wariness of nuclear power after the Three Mile Island accident, the electricity industry also has excess stocks of uranium totalling about 130,000 tonnes. Excess means stock exceeding two years' requirements (one year in the U.S.).

Current consumption is less than 40,000 tonnes. In addition, the producers have an estimated 20,000 tonnes in stock.

UK NEWS

# BP-led group to drill off Dorset coast

BY DOMINIC LAWSON

A GROUP of oil companies led by British Petroleum (BP) has agreed plans with the Department of Energy to drill at least five wells into the shallow waters of the environmentally sensitive Dorset coastline, stretching from Poole harbour to Bournemouth Bay on the south coast of England.

The group – consisting of BP, Tricentrol, Premier Consolidated Oilfields, Carless Capel & Leonard, Clyde Petroleum and Goal Petroleum – was obliged to offer the Energy Department what has been described as an "exhaustive work programme" to win the right to drill in the blocks against fierce competition from the international oil industry.

The blocks, 98/6 and 98/7, were the most sought-after in the recently concluded ninth round of offshore oil licences. Block 98/6, which covers the entrance to Poole Harbour, Studland Bay and the main beaches in Poole Bay, is believed to contain about 30m barrels of low-cost oil, an extension of Dorset's Wytch Farm oilfield.

The blocks also contain at least four other geological structures, each thought to be capable of holding about 10m barrels of oil. The consortium has pledged the Department of Energy that it will drill into all these structures.

This is certain to cause great controversy, particularly because Mr Alick Buchanan-Smith, the Energy Minister, last year told local residents that no drilling in block 98/6 would be allowed because of the sensitivity of the area.

As a result, the consortium is contemplating drilling into the block at an angle from the exclusive residential areas around Poole Harbour, or to drill from a manmade artificial island.

Some members of the consortium, however, believe that it will be impossible to carry out the terms of the intensive work programme agreed with the Energy Department without drilling at least one well with a rig inside the "off limits" block 98/6.

The consortium has high hopes that Mr Buchanan-Smith will change his mind on the ban, but that would stir up great local anger.

The same group of companies has already come up against environmental opposition to some of its original plans to exploit the onshore Wytch Farm oilfield. The richest part of the field lies under the Studland peninsula a nature reserve

● Amoco, the U.S. oil company, is seeking approval from Hampshire County Council for plans to drill seven appraisal wells on its oil discovery at Larkwhistle Farm, near Winchester, southern England.

The field, discovered last October by Amoco and Ultramar, the UK oil company, is thought to be similar in size to the Humbly Grove oilfield, the largest UK onshore find after Wytch Farm.

# European universities to receive star wars cash for research

BY PETER MARSH

THE U.S. Department of Defence is inviting applications from European university groups for contracts in advanced technologies related to the $26bn star wars programme.

Dr James Ionson, director of the innovative science and technology office at the Pentagon's Strategic Defence Initiative Organisation (SDI) in Washington DC, said at the weekend he was particularly keen to involve British research teams in the project.

The Pentagon is drawing up lists of groups of researchers in different countries and contracting them individually, before decisions by West European governments over whether to become formally involved in the star wars project.

With cash for publicly funded research in short supply in many parts of Europe, teams of academics may find it hard to resist the offers of money from the Pentagon, fuelling fears that the SDI project might divert from other work some of the Continent's most talented research groups.

The first set of European researchers to agree to participate in the SDI is a 20-strong team of computing specialists at Edinburgh's Heriot-Watt University.

Professor Desmond Smith, head of the group, said last week he would join the project. His team, which works on very fast computers based on optical switches activated by light beams, is due to receive a $150,000 contract to bring his technology to a commercial stage.

Dr Ionson, whose division of the SDI Organisation is seeking a budget of $187m from Congress in the year from October, said: "My message to Britain's scientific community is that my doors are open. The UK has got an incredible amount of scientific expertise which we want to bring into the programme if Britain is willing to share it with us."

The innovative science and technology office has earmarked roughly $50m from next year's budget to spend on research work outside the U.S.

Dr Keith Bromley, a U.S. computing specialist from the U.S. Naval Ocean Systems Centre in San Diego, has been instructed to contact British academic groups whose skills are suited to working on the star wars project.

Dr Bromley is on secondment to the UK Ministry of Defence's Royal Signals and Radar Establishment in Malvern, Worcestershire, and is reporting to Dr Ionson.

Dr Bromley's first task was to talk to the Heriot-Watt group. In the next few weeks he is due to contact more British teams of researchers in promising areas of computer studies.

Advances in computing would be required for any operational system to pinpoint the positions of incoming Soviet missiles and instruct weapons such as laser guns to destroy them.

The innovative science and technology office of the SDI Organisation is due to spend some 5 per cent of the $26bn earmarked for the star wars programme until 1990. The other five offices of the organisation are working on hardware that employs today's technologies, leaving Dr Ionson's division to concentrate on research that could be applied in the 1990s.

Dr Ionson has so far given contracts totalling $69m to U.S.-based consortia of companies and universities to work in advanced research areas.

# Drug plant completed by Searle

By Tony Jackson

SEARLE, the U.S. pharmaceutical company, has completed a £20m investment at Morpeth in Northumberland to produce prostaglandin for anti-ulcer treatment. The plant is claimed to be the first large-scale production site for drugs of this kind in the world.

The Searle drug is aimed at the $1.5bn world market for ulcer therapy. It is marketed at present only in Mexico, where it was launched at the start of this year. Applications have been submitted in a further 33 countries and the drug is to be reviewed by the FDA – the U.S. licensing authority – later this month.

Prostaglandins are chemicals naturally occurring in the body which help to protect the wall of the intestinal tract from stomach acid. The Searle version – generically known as misoprostol and sold under the brand name Cytotec – is an analogue made by a highly complex process of traditional chemistry.

Four other companies are known to be working on prostaglandins for ulcer therapy – Syntex and Upjohn of the U.S., Hoffmann-La Roche of Switzerland and Glaxo of the UK. None of these has yet brought its version to the market, although Glaxo is believed to be the front runner.

Searle claims that its drug inhibits the production of acid in the stomach, and is thus in competition with the two established anti-ulcer drugs, Tagamet (from Smith Kline) and Zantac (from Glaxo). In addition, the drug is claimed to strengthen the stomach's mucous lining.

Several U.S. drug companies are believed to have recently cancelled investment projects in the UK.

# Cable TV film channel Ten collapses

Financial Times Reporter

TEN, the cable TV movie channel, has collapsed after an apparent dispute between shareholders, one participant said at the weekend.

Mr Robert Maxwell, publisher of the Daily Mirror and shareholder in Ten through his recently acquired Rediffusion Cablevision company and Pergamon Press, announced that Ten would close at 2 am on Wednesday.

He also said that Mr Ward Thomas, Ten's chairman, had resigned on Friday night. Mr Thomas and other Ten spokesmen were not available for comment.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday June 3 1985

# Clients of the Pentagon

SCANDALS ABOUT defence contracts are bardy pereunials in Wasbington political life. But in recent weeks there has been an unusual profusion of them. From the $600 asbtrays to the troubles at General Dynamics, the underlying qnestion is the same. How can the U.S. Government regain control of what President Eisenhower, almost 25 yeera ago, first called the military-industrial complex?

Tho case of General Dynamics illustrates the dangera President Eisenhower was warning his countrymen against. The Pentagon bas becomo too dependent on the company, which among other things is building the F-16 fighter, the Tomahawk cruise missile and the Trident submarine. GD, with 96 per cent of its sales to the government, has done well out of the relationsbip.

Congress has become increasingly aroused hy reports of financial irreguleritles in defence contracting generally and hy General Dynamics in particular.

### Related difficulties

At the beart of the problem lie two related difficulties. The first is that the service departments, such as the U.S. Navy, sbare a common interest with civilian contractors in persuading Congress to pay for ever more elaborate and expensive systems. The other is that Congress, knowing this, has insisted on making money availahle only on an annual basis. But a year-by-year system appropriate for huying large numbers of units such as jeeps or guns is not suitahle for the huge capital investment required to produce short runs of immensely complex systems such as nuclear submarines. Contractors are unahle to count on recouping the cost of tooling over adequate runs, and are thus constantly tempted to lump as much over head as possihle into each year's appropriation.

Sometimes the present system is a recipe for contractors to lose money as General Dynamics' Electric Boet shipyard did in the 1970s when the lion's share of the contract for building the Los Angeles class of Hunter-Killer suhmarines went to another yard. More often, it is a recipe for outrageous cost overruns.

The inadequacies of the present system are well understood in Congress, and there is now a strong sentiment there for overhauling it. The danger is that any new control mechanism will simply be degraded into the "Iron Triangle," that so often in Washington biods together an interest group, tho hureaucracy that is supposed to regulete it, and the relevant committees of Congress—to the exclusion of effective executive control.

### Control

Yet Congress has shown its capacity to equip itself with useful new instruments for improving its oversight, such as the Congressional Budget Office or the Office of Technology Assessment. The challenge is to devise effective methods for auditing and controlling expenditure, not on a tight-fisted annual hasis, but over the whole life of vast and complex industrial undertakings, without handing to the great contractors licences to print their own money.

In the last resort, no amount of rigorous control procedures can have a reliable effect unless there is a method of knowing that $7,000 is too much to pay for a coffee-making machine. There is such a method, it is tried and tested, and it is called competition.

Bnt unliko the free market for coffee percolators, competition in defence procurement must be deliberately organised by governments. In Britain Mr Michael Heseltine, the Defence Secretsry, is giving new impetus to the principle of competitive tendering and, in the U.S., Congress is following suit by persuading the Pentagon to give Northrop's F20 a competitive chance against General Dynamic's F16.

Moreover, the competitive principle needs to be kept active not merely at the initial tendering phase, but also throughout the procurement and manufacturing phases, in order to prevent cost over-runs. Even in big-ticket items, like aircraft carriers, the principle could still be applied for the procurement of sub-contracted systems and sub-systems, which form a substantial proportion of the total cost. Only through competition can the Pentagon have a reasonahle chance of avoiding the scandals currently dogging the U.S. defence industry, and of surviving Congressional budget-cutting without a loss of military security.

# Mr Fowler's big day

AFTER months of delays and mucb last-minute soul-searching by ministers, tbe Thetcher Government's Green Paper on the future of the welfare state is to be published today. Nobody can deny that the present social security system is an unsatisfactory mess nor thet 40 years after the foundations were laid by Lord Beveridge tho time is ripe for a rigorous re-examination of means and ends. But if the idea of a searching review followed hy a much-needed overhaul bas much to commend it, there are nonetheless good reasons to question the way in wbich Mr Norman Fowler, the Social Services Secretary, and other Cahinet colleagues, have approached their historic task.

### Consultation

The first and, perhaps, most serious worry is over the status of the forthcoming Green Paper. Given the wide sweep and complexity of the topics under review and, in the case of pensions, their relevance for future generations, the need for a genuine consultative document is great. The welfare state is so important a subject for so many individuals and groups that the Government ought to allow at least six months, preferably more like nine, for a full and informed public debate. Yet the expectation is that tho document will be a *de facto* White Paper merely giving advance notification of legislation planned for the next parliamentary session.

Tho case for a lengthy exposure period for genuine consultation is strengthened because the Government can claim no direct electoral mandate for far-reaching change. The Conservative Party did not fight the last general election on any such platform. Indeed, following the rumpus caused by the leak in 1982 of the now-defunct "Think Tank's" ruminations about the welfare state, ministers in May and June 1983 kept very quiet on the subject. The general impression was that a second-term Thatcher government would leave well alone.

Mr Fowler may argue there is little need for further consultation because he has been doing nothing but consult for the past 18 months. It is true that ha set up fiva different review committees to consider various aspects of the social security system which have held puhlic hearings. But it is one thing to ask people's views before government plans are formulated, quite another to ask for considered reflections on actual policy proposals. The real debate about Britain's welfare state cannot begin until the Government has made clear its own preferred approach to reform.

Social security reform—especially changes to pensions—have long term implications. The advantage in gaining e measure of cross-party support at least for the hroad thrust, if not the fine detail, of reform is obvious. It is not impossible to win a degree of consensus: Serps, after all, was introduced in 1978 with bipartisan support. Consensus may be harder to achieve in today's more adversarial climate, but that does not make it less desirahle.

### Timing

With hindsight, the composition and terms of reference of Mr Fowler's review committees look less than ideal. It might be easier now to drum up support for the reforms had the Government appointed independent chairmen of tha main committees and allowed opposition parties some say in the appointment of committee members. And it might bave been wise to have let the review bodies follow the practice of Commons select committees and publish their own findings and recommendations. Mr Fowler would not have bad to accept all the advice but at least be could now claim to bave consulted seriously.

The final question mark concerns tbe timing and breadth of the review. A wide-ranging overhaul of the welfare state is being planned just before the computerisation of the tax and social security systems will open a whole range of new possibilities. And the Government has insisted that reform of social security must be tackled quite separately from reform of taxation. Yet most independent experts agree the main problems arise because of lack of integration of the two systems. In spite of its efforts, Mr Fowler's proposals may serve only as a stop gap reform; the real overhaul may have to wait technological edvances.

NEW U.S. TAX REFORM PLANS

# Reagan deals a clever hand

By Stewart Fleming in Washington and Terry Dodsworth in New York

"DEMOCRATS AND Rapublicans have a big interest in seeing some of this pass. They certainly do not want to be seen blocking it," says Dr Norman Ornstein, e political analyst and rasidant scholar at the American Enterprise Institute, a Washington-based think tank. "The electoral politics of this are better than motherbood," adds Mr Jack Albertine, president of the *American Business Conference*, an organisation whicb represents medium-sized, high growth companies.

In common with most of Washington, both men doubt whether the ambitious timeframe for Congresslonal approval of the plan this year can be met. Significant changes in the President's tax package lie ahead. "It's not going to be sweeping reform," says Dr Ornstein.

The central question is whether, in the end, Congress will make so many concessions to interest groups that the resulting loss of tax revenue will not be made up hy extra taxes elsewhere. The net result could be that tax reform will end up looking more like a tax cut.

## Many economists fear there would be a loss of revenue

There are already questions about whether the Treasury's own sums add up. Many tax economists fear that the White House proposal is not revenue-neutral as Mr Reagan claims, but would result in a net loss of revenue — something which of courae, fits tho President's philosophy of making government smaller.

The 461-page detailed analysis of the plan which the White House deliberately withheld until after the President had made his pitch on television last Tuesday night suggests thet the promised tax cuts would be financed in part by wealthy tax payers who would lose their current ability to deduct state and local taxes from their incomes before calculating their Federal tax liahillties.

The other big losers are companies which face the withdrawal of the tax subsidy on new investments wbicb President John F. Kennedy first introduced in 1961. Tbey would also lose some of tho tax breaks which President Reagan gave them in 1981 through changes in the depreciation code.

Changes like these were floated last November in a tax reform plan released by the U.S. Treasury which won widespread acclaim from academic economists but was regarded as full of political flaws. A lot has changed since then. Mr James Baker, the urbane former White House Chief of Staff who swapped jobs with Mr Donald Regan at the U.S. Treasury, has taken tax reform out of tho ivory tower where Mr Reagan had left it and concocted a revised proposal which is seen as politically more realistic.

Mr Baker claims thet 80 per cent of individual taxpayers will pay the same or lower taxes and that millions who are helow the official poverty line will be taken out of the tax net. It is a proposal which therefore has considerable political appeal.

For the corporate sector, the proposals carry one central message. President Reagan, for all his genuflections to this or that special interest group, remains a Californian at heart, married to the notion of reinvigorating American industry through the new technologies that have found their strongest expression in the West Coast electronics and defence industries.

Conversely, he has virtually turned a deaf ear to the pleas of the ailing, arthritic sectors which propelled America to the forefront of the industrial world, and led to its dominance of the post-war reconstruction era. To use his own language, he is aiming to engender a new age of the entrepreneur.

Most of the "old" companies have shown relatively little concern abeut the basic corporate tax rate, either because they have been too unprofitable to pay very much, or because they have been able to offset all their tax liahillties against allowances on their new investments. Now, under these plans, the climate would be very different.

The hias of President Reagan's proposals towards a lower basic tax rate, the continuation of R and D allowances, the abolition of the investment tax credit, and reduced depreciation allowances (albeit not *dramatically lower*) *clearly* favour high tech against low, new against old. Similarly, the lower tax rates for small husiness pits young, entrepreneurial companies against tha "geriatrics."

The way in which industry has responded to the President's message illustrates these differences. The Semiconductor Industry Association says it is "constructively optimistic," pleased to see that research had been highlighted by Mr Reagan and that the R and D credit had been kept. The proposed abollition of the investment tax credit was, it said, "politically realistic."

On the other hand, General Electric, one of the companies that has benefited most from the investment credit and accelerated depreciation, warned hleakly that the proposals could further undermine American industry's competitiveness.

It was concerned, it said, that "in the effort to put together a halanced tax package, tha incentives for capital investment have been weakened. These incentives are vital to American jobs and the competitiveness of U.S. industry."

General Electric, ranked at ninth in the Fortune 500 listings, with a return on equity of around 18 per cent, and led by a young management team which has won plandits far and wide, is hardly a company suffering from senility. But there are some husinesses for which the President'a message has spelt out an uncompromising message of further retrenchment.

The steel industry, bedevilled by huge losses since 1982, is a case in point. It has been so unprofitable in recent years that it has had no earnings against which to offset investment allowances. Indeed, the thrust of its recent lohbying in Washington has been aimed at revamping the system so it could pull forward some immediata cash henefit for investing against putative future profits.

"If we do not get this," one executive said last week, "we shall continue to shrink—and shrink fast."

A further modest, but significant, impact of the new investment allowance proposals on the structure of the U.S. economy is the negative effect they may have on the fashion for leveraged buyouts.

These have been partly based on the generous depreciation allowances available to companies that can write up assets on a takeover and then write them down swiftly against tax. The suggested new schedules will thus force the investment hanking community to rethink its tactics.

## An uncompromising message for some businesses

But as the proposals head into the hothouse of Washington deal-making, the general message from the corporate sector is one of cautious support. By cunningly staking out bis teots on the ground of fairness and simplicity, President Reagan has made his proposals very difficult to oppose with much vigour.

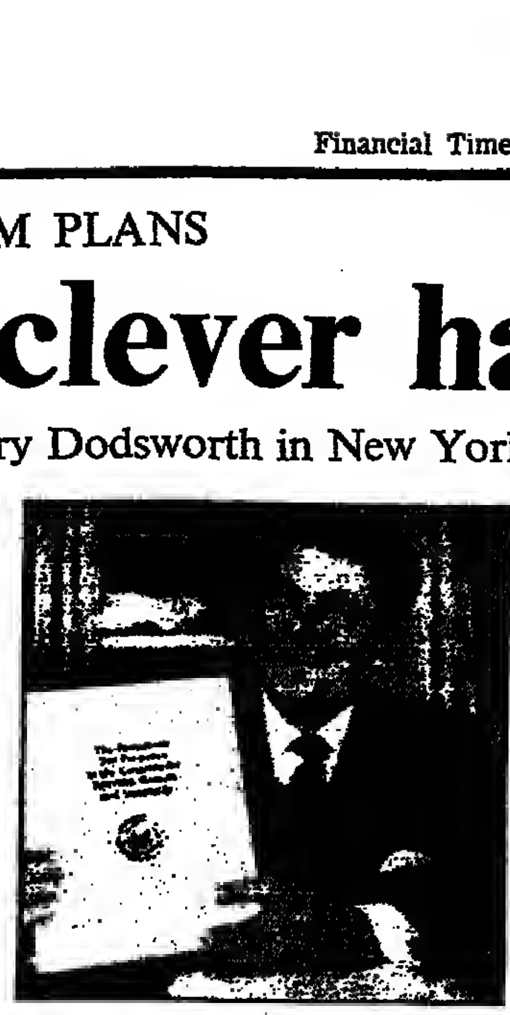
The "special interests" now find themselves in an awkward, unpatriotic position. As one of them said hitterly: "Anybody whose life is at stake has become a special interest."

**Tax Overhaul: How Plans Compare**

*1986 tax year*

| | REAGAN PLAN | CURRENT LAW | | REAGAN PLAN | CURRENT LAW |
|---|---|---|---|---|---|
| Individual tax rates | 3 rates: 15, 25, 35% | 14 rates from 11% to 50% | Charitable contributions | Deductible, but only on itemised returns | Fully deductible |
| Personal exemption | $2,000 | $1,080 | State and local taxes | No deduction | Fully deductible |
| Mortgage interest | Principal residence deductible | Fully deductible *for all mortgages* | Capital gains | 50% excluded for 17.5% top rate, but fewer items covered | 60% excluded for 20% top rate |
| Other interest | $5,000 plus amount equal to investment income | $10,000 plus amount equal to investment income | Corporate tax rates | 33% top rate, graduated rates up to $75,000 | 46%: graduated rates up to $100,000 |
| Employer-provided health insurance | Taxed up to first $10/month for single: $25 for family | Not taxed | Depreciation | Somewhat accelerated, but less generous than current law | Accelerated |

Source: Office of the Secretary of the Treasury



# A contrast with Britain's piecemeal approach

By Michael Prowse

EUROPEANS may find the grudging welcome afforded President Ronald Reagan's tax reform proposals in Washington somewhat hard to understand. Mr Reagan's plans may fall short of the ideal programme of reform laid out hy the U.S. Treasury last November. But the package put together hy Mr James Baker, the Treasury Secretary, is still light years ahead of anything contemplated by more timid politicians in Europe.

No European government in post-war history has even considered proposals as radical as Mr Reagan's. If the U.S. Congress can be persuaded to enact reforms resembling the President's plan, Mr Reagan will in one fell swoop have achieved more than two Conservative Chancellors in seven successive British Budgets. The White House's conviction that these "fairer and simpler" taxes will strike a strong chord with the electorato contrasts vividly with the retreat from radical reform announced by Nigel Lawson, the UK Chancellor in March.

It is ironic that the U.S. is making the running in tax reform. Tax thresholds are already much higher and marginal tax rates much lower in the U.S. than in Europe. If Mr Reagan's reforms go through, the gap will be widened still further and the relative efficiency of the U.S. economy further enhanced. The proposed new top personal tax rate for American citizens of 35 per cent is only five percentage points above the UK's *lowest* rate and compares with top rates of 70 per cent in Japan, 65 per cent in France, 60 per cent in the UK and 56 per cent in West Germany.

Even though the President is envisaging a sizeable shift of the tax burden towards U.S. companies, American business may still emerge as the most lightly taxed in the world. The proposed new corporate tax rate of 33 per cent will be the lowest among big industrial countries. It is lower even than the 35 per cent rate British companies will enjoy by 1986 and compares with rates of 56 per cent in West Germany, 50 per cent in France, and 43 per cent in Japan. And even though the present generous U.S. depreciation allowances are to be reined in, American companies will still benefit from better investment incentives than firms in competitor countries.

Europeans will note, however, that the Reagan-Baker proposals involve more than a drastic simplification of individual taxation and an overhaul of corporate taxes. The White House also intends to do something about the U.S. poverty trap. Mr Reagan intends to implement the massive increase in personal tax thresholds which Mrs Thatcher and other European leaders only dream about. The proposed increase in the personal exemption and the zero-bracket allowance is expected to pull almost all families at or near the official poverty line out of the tax net. The tax reform may do more for this section of the U.S. poor than the whole of Mr Norman Fowler's review of social security will do for the poor in Britain.

Moreover, the proposed elimination of deductions for state and local taxes (which cost the U.S. Treasury some $28bn a year) is arguably a bolder step towards creating a more equitable system of local government finance than anything contemplated in Britain. The effect of the reform — if it gets through Congress — will be to force the richer residents of high spending states to shoulder a much higher proportion of the cost of local services. A comparable move in Britain might be swingeing cuts in rate support grant, coupled with the introduction of a progressive local income tax.

Perhaps the most important message for would-be tax reformers in Europe is the need to think big. The President's proposals may yet be savaged by special interest groups, despite Mr Baker's efforts to assemble a "core constituency" in favour of the reforms. Nonetheless, far-reaching changes which affect virtually every individual and company are more likely to capture the popular imagination and more likely to reach the statute book than the cautious piecemeal approach which has already failed in the UK.

# Men and Matters

## Cockfield plans super market

Lord Cockfield, the British vice-president of the European commission, has got the bit between his teeth in his drive to create one great market-place for goods and services in Europe. Indeed, there must be those in the British Cabinet who are worrying that their former colleague has "gone native" in Brussels with his new market plan.

A few nights ago ho came to London to address Europhile businessmen et a conference organised by *business-conscious* European MPs, and by the Kangaroo group, a pressure group dedicated to hreaking down the barriers to commerce in Europe.

He did not mince his words as be described the European white paper on the internal market which is going to form the centre-piece of the next EEC *summit in Milan*.

"We have not haulked at anything," he boomed in his curiously deliberate mannar. "It is going to require a major effort hy tha member states to accept this paper. They have been asking for it for years. Well, now they are going to get it."

"Strewth! I've got into the habit of thinking it's Monday, it must be another Bank Holiday."

Lord Cockfield is determined to fashion his packaga in a way that will prevent tha heads of state endorsing it as a truly wonderful document—and then consigning it to limbo. To that end his staff is devising a detailed timetable leading towards the goal of a free internal market by 1992, to which the *heads of state* will be asked to commit themselves.

Basil de Ferranti, an MEP and a founder member of the Kangaroo group, beamed around the room during Lord Cockfield's delivery rather as Mozart senior must have done whilo the young prodigy performed.

Never shy of over-statement, de Ferranti told his dinner guests *afterwards*: "We've *always* wanted the Archangel Gabriel as the Internal Market Commissioner, and I'm not sure we haven't got him."

In Whitehall they talk more ebout St Thomas à Becket.

## Bankers' meeting

For those suffering nnder the misapprehension that bankera lead a dull lifa the news from Hong Kong is that the 100 national hank governors and bank chairmen, gathered there for the annual International Monetary Conference, spent most of Saturday at the races.

There is no evidence of any hanker baving made a fortune—or even breaking even on the day for that matter—but betting on the special nine-race meeting toucbed an all-time record of HK$448m (some £45m).

Hong Kong's racing season ought to have finished last month, but was specially extended as the colony's way of welcoming the most powerful gathering of hankers ever seen there.

And, while the hankers were counting their losses yesterday, the Hong Kong Government and locsl charities hsd something to celebrate. Betting taxes from the special meeting amounted to nearly HK$43m, while the Jockey Club commission, whicb goes to various charities, amounted to more than HK$33m.

## Show of paws

George Orwell's Animal Farm was collectivist in its socialism. But though the animals were acting in concert they remained unorganised.

That is now rectified in a new fablo for children called Union Farm. To be published this month hy the trades union-funded Labour Research Department, Union Farm is a radical departure from the LRD's normal fare of diligent detailing of pay agreements, sick benefits, an company donations to the Conservetive Party.

"A charming story" is how LRD describes tha tale of the animals on Growmore Farm—wbere farmer Moneybags gives them only a little food so that they have to work hard or go bungry.

The animals join together in a strike, with immediate success. In stark contrast to the recent miners' strike the animals easily persuade lorry drivers from delivering goods to the farm.

"Tbere's nothing we can do" Moneybags' sons tell him. "Even tho drivers are helping them. We can't beat them all. We'll bave to give them what they want."

LRD says the book "offers a different view of the working world from that which features in the majority of children's literature." Different it may be. It is unlawful too. When the animals decide to strike they do so in clear contravention of the pre-strike ballot requirements of the Trade Union Act 1984 (which doesn't feature in the story).

The act requires secret ballots before strikes. But the book says "They all vote for a strike hy raising their paws, beaks, wings, and tails."

"How do you think Mr Moneybags might get his own back?" the hook asks in conclusion. Tom King, the employment secretary, who last week was trumpeting the success of the balloting provisions of the Act in reducing strikes, might be ehle to tell them.

## Lourie's watch?

Eddies caused by European Ferries' move last year to limit tha growth of its shareholder scheme for concessionary fares have yet to die away.

Serge Lourie, one of the two leading dissidents wbo opposed Eurofarries plan to trim the perk, is now trying to win a place on the company's board.

Lourie, aged 39, an accountant and an SDP on Richmond council, has put himself forward for nomination to the board et tha AGM on June 24. Steven Pattie, tha other member of the mutinous duo, has formally nominated him.

In spite of shareholders' successes in persuading Euroferries to modify its original plan Lourie and Petties are still dissatisfied with what they call tha company's "lack of direction."

*There is little real hope of* Lourie being elected. But his nominetion will prove a further beadache for Eurofarries' chairman Ken Siddle who steered the company through several gruelling confrootations with its shareholders last year.

Whatever the dissidents may think the City seems fairly bappy with Euroferries per*formance*. The shares barely moved when it announced a £72m rights issue last week.

## Ships and trips

An exciting new title is just about to be published by the government — Slipping, Tripping, and Falling Guidance. Surely a manual for budding politicians?

But, no—just s Health and Safety Executive booklet reminding that 75,000 British workera fall down on the job esch year.

FOREIGN AFFAIRS: THE MILAN SUMMIT

# Mrs Thatcher wins again

By Ian Davidson

THE goings-on in the European Community typically inspire two sorts of emotion: indifference or despair. From time to time, we imagine they will turn over a new leaf, and live up to some of our original hopes. Almost invariably the expectation is disappointed.

It is obvious, therefore, that a European Community summit, like the one coming up at the end of this month in Milan, is no occasion for predictions; so here goes.

My first prediction is that this meeting, whose task is to give a new dynamism to a Community long stuck in the sands, and which until recently bid fair to be a shouting match between rival and self-righteous ideologues, will turn out to be unexpectedly harmonious and even "successful." There will be much noisy congratulation about a new start for Europe.

My second prediction is that, once the booming rhetoric has died away, we shall see that very little had changed, after all. The audience of these capers will then relapse once more into indifference or despair, according to temperament.

The reasons for these two predictions are one and the same: the governments of key continental countries have been persuaded, by the immovable prejudice of Mrs Thatcher against anything that smacks of "Europe," and by the super-professional campaigning of her Foreign Office, either that they do not really want a European enterprise very different from what they have today, or else, at the very least, that they have nothing to gain by trying to isolate her.

Harsh words? Not at all. Mrs Thatcher may be gratified at such a painless victory. I put tha question to a French diplomat. "Do you mean that Mrs Thatcher has won?" I am afraid she has.

But the victory, if that is what it is, is not yet assured; the campaign is entering its final phase. Today the European Commission meets the Italian Prime Minister in Rome to discuss the negotiating tactics of the Italian presidency of the Community. Next weekend the 10 foreign ministers meet in Stresa to review the agenda and search for the unavoidable compromises. And in between, the neo-Monnet Committee, composed of many of the *Community's* leading political figures, will launch its own detailed programme for more dynamic policy-making. There may be no new beginning, but you can sense that Europe is manoeuvring for what should have been a big event.

Interior of the European Parliament in Strasbourg

Two constitutional issues lie at the heart of all this hectic activity. Will the member states open the door to more rapid decision-making, by reducing or eliminating the national veto in favour of much more majority voting? And will they, as a consequence, agree to increase the legislative powers of the European Parliament? For if national governments surrender naional vetos, there is a loss of democratic accountability; this "democratic deficit," as it is called, can only be made good in Strasbourg—or so it is argued.

Under the Rome Treaty, many decisions can be taken by weighted majority in the Council of Ministers. But 20 years ago General de Gaulle threw a spanner in the works by inventing a new doctrine, that any member state could veto any decision when it judged that its "very important interests" were at stake. The other member states refused, in principle, to accept this new dogma, known (incorrectly) as the Luxembourg Compromise; but in practice, decision-making has been hobbled ever since by the reluctance of member states to go to a vote on contentious issues.

Everyone now agrees that the solicitous respect for what is often no more than the marginal convenience of national lobbies has gone much too far. The search for unanimity has virtually paralysed decision-making in a Community of 10 member states, and the paralysis risks becoming total when Spain and Portugal join next January. The Commission has proposed a programme for eliminating all internal obstacles to trade between the member states by 1992, and in principle the objective of a free internal market has widespread governmental support. But it is evident that the Community can say good-bye to any such target unless most, if not all, of the relevant decisions can be taken by majority vote.

A couple of months ago it looked as if the Community would split almost straight down the middle on this issue on historical as much as on ideological lines. In the report of the Dooge Committee, the six original members of the Community opted for a formula which implied (though it did not explicitly state) a virtually complete abandonment of national vetos, even on issues where the Rome Treaty still requires unanimity. By contrast, tha peripheral newcomers—Britain, Ireland, Denmark and Greece—unrepentantly claimed the rights of the Luxembourg Compromise, even if Britain argued that these rights needed to be somewhat circumscribed, and even if all four acknowledged the need, in general, for more majority voting.

Today, however, it would seem that the British diplometic machine has succeeded in persuading all the other member states that none of them is really prepared to surrender the ultimate right of national veto where "very important interests" are at stake. Are the Luxembourgers ready to be over-ruled on immigrant workers? The Germans on the sugaring of wine? The French on tha regular visits of the European Parliament to Strasbourg? The Italians on subsidies for olive oil producers? And so the insidious catalogue goes on.

For such reservations, the ground is, of course, only too fertile. The Dutch have long been champions of majority voting in what they used to hope would be a pre-federal Europe. Yet the other day I heard a Dutch minister speculate whether majority voting would really be in Dutch interests in a 12-nation Community which included Spain and Portugal as well as Greece and Italy. On balance, probably yes; but only just.

By now it is being conceded that the differences over majority voting are probably small enough to be bridgeable; the British will get most of what they want. Much more problematical is the case of the European Parliament. Italy and the Benelux countries are adamant that the powers of the Parliament must be increased to give it a joint role in Community legislation; and the Italian presidency, for one, is constrained because the Rome parliament has unanimously endorsed a *Draft Treaty establishing the European Union*, drawn up by the European Parliament itself, which would have this effect. Mrs Thatcher, by contrast, is hostile to any transfer of powers to the European Parliament, not least because its main impact on *her* life has been to create difficulties for Britain's budget rebate.

Even here, there could be some meeting in the middle, on the principle. British officials are now prepared to admit that *something* may have to be done for the European Parliament; whereas some Euro-Parliamentarians argue that they already have procedural levers which could be exerted much more effectively on the Community's legislative processes. But the crucial question, both on majority voting and on the powers of the Parliament, is whether reform will take the form of gentlemen's agreements, or of legislation.

The case against gentlemen's agreements is that the member states are not gentlemen and cannot, on the record of the past 20 years, be trusted to put the Community first. The German veto of a tiny cut in cereals prices is a case in point.

The case against legislation is that any changes in the Rome Treaty would have to be ratified by 10 (or more probably 12) national parliaments. To pretend that Mrs Thatcher could not get ratification in the House of Commons is sheer hypocrisy; she does not want to. But the Greek and Danish parliaments could be a different kettle of fish.

> The Draft Treaty seeks to finesse the ratification problem by proposing a variable-geometry Europe: those who want to sign up can do so, the rest can stay out of the new enterprise.

The European Parliament's Draft Treaty seeks to finesse the ratification problem by proposing a variable-geometry Europe: those who want to sign up can do so, the rest can stay out of the new enterprise. It sounds neat; the difficulty is that the ratification of a new (six-nation ?) pre-federal Community could not dispose of the existing 10-12 nation Community. Result: chaos.

In theory, all the member states are committed to an inter-governmental conference to negotiate these and other issues. But the British Government, for one, is determined to avoid an open-ended talk-shop. If there is to be a conference, it must be limited to the working out in detail of firm and clear decisions of the heads of government at Milan.

That is one reason why there is so much hectic preparatory activity; and why the British, generous in victory, are so anxious to be constructive on non-constitutional issues: the internal market, the French Eureka project and a British plan for much closer foreign policy co-ordination.

In the last resort (to round off these unreliable predictions), the run-up to Milan points to a number of curious facts. France and Germany, for all their occasional rhetoric, are both somewhat ambivalent about "Europe"; and neither is prepared, at this stage of the turning circle of the world, to try to create it in opposition to Britain, which must be essential to any serious European ambition. Second, and much more important, national ambivalances about the transfer of sovereignty to Europe will not be resolved until Europe is seen as the vehicle of national security. Neither the Bundestag, nor tha Assemblée Nationale, nor the House of Commons will surrender significant sovereignty for such a relatively workaday purpose as a more efficient internal market.

Perhaps they would if Mrs Thatcher showed a mite of enthusiasm for "Europe." But that is asking a lot.

## Lombard

# OECD findings on capacity

By Samuel Brittan

THE GENERAL assessment section of the OECD June Economic Outlook will mean, as so often, all things to all men, reflecting as it does differences of emphasis within the Secretariat as well as member Governments.

The most interesting part of the report is not the headline generalities, but some of the detailed work in the body of the document. One new chart — which is both too large and too colourful to be reproduced here — shows the changing relation between capacity utilisation and unemployment.

In all areas, but especially Europe, a given degree of capacity utilisation corresponds to a higher level of unemployment today than in the 1960s and 1970s.

Take the rate of capacity utilisation associated in Europe in the late 1960s with 2½ per cent unemployment. That very same rate was associated in the early 1970s with 3½ per cent unemployment, 4½ per cent in the late 1970s, 7½ per cent in the early 1980s and about 10 per cent today. The chart gives *prima facie* support to the view stated forcibly by Sir James Ball in relation to the UK on this page on May 29 that economic capacity rather than demand is the constraint on jobs and growth.

There will, of course, always be argument about measurement of economic capacity, which relates not just to physical equipment, but to capital appropriate to the current state of technology and pattern of demand. The OECD measure is of the "ratio of actual real GDP to phased trend." Objectors will say that the trend itself reflects demand deficiency.

To which one can only reply that more detailed investigations of particular industries produce similar results. In the UK direct responses by the Confederation of Business Industry's quarterly survey show capacity utilisation very much higher than labour utilisation.

The emergence of capacity constraints helps to make sense of another OECD finding. This is that while there has been a trend rise in the U.S. "general government" budget deficit, there has been a trend decline in other major countries, and very little overall movement. Thus the worldwide rise in real interest rates is unlikely to reflect budget deficits, but it may well reflect capacity constraints.

Capacity may have been scrapped because it was obsolete or because of the severity of the last recession, or a mixture of the two. Over the longer term, business investment has had the deliberate object of saving the expense and trouble of employing labour.

The number of jobs is not rigidly determined by capacity even in the short term. The tighter the capacity constraint, the more important is wage flexibility in pricing people into jobs in those services, trades or light industries where physical capacity matters less or in subsidiary activities such as maintenance of cleaning. These may not all be good jobs, but they are better than "no jobs."

If there are to be more jobs paying other than cut-price wages, there will clearly have to be investment. Not, however, any old investment, but investment designed to produce more output rather than just the same output more efficiently—in economist's jargon "widening" and not just "deepening" investment.

If this is to occur, it will be important for the recent improvement in the rate of return on capital and the share of profits in national incomes to become consolidated and continue. A similar improvement in the late 1970s proved a mere cyclical peak, before descending again in the severe recession of the early 1980s.

This is necessary for the obvious reason that investment is closely related to profits. The less obvious but even more important reason is that investment will only be "widening" and labour-using if labour costs —both financial and psychological—make it once more a worthwhile proposition for business to think of taking on more workers.

A swing in rewards from labour to capital is socially regressive only if capital ownership is more concentrated than income from work. This is the case at present, but is not inevitable. Real, as distinct from pseudo-radicals, will concentrate on reforming capital ownership rather than in interfering with the effects of market pressure on relative rewards.

# Letters to the Editor

## The views of Keynes

*From Lord Kaldor*

Sir,—It is Mr Juby (May 28) who needs more instruction on Keynes's views concerning real wages and employment. For subsequent to the General Theory he published an article on the "Relative Movement of Real Wages and Output" in the March 1939 number of the Economic Journal, in which he reconsidered the issue as a result of the evidence submitted by Dunlop and Tarshis and withdrew his earlier dogmatic assertion quoted in Mr Juby's letter. Indeed my statement that "since 1885 at any rate" real wages and employment were positively correlated and not negatively was partly based on information provided on p38 of that article.

However, I have no doubt Mr Juby is right that in times of insufficient effective demand like at present it is the small business sector which suffers most, and this will have worse effects on employment if the wages of employees are not reduced in line with lower earnings. But this is a far cry from saying that an increase in employment brought about by an increase in effective demand will increase prices relative to wages.

Nicholas Kaldor,
*King's College,*
*Cambridge.*

## Options for the members

*From Mr R. Stancomb*

Sir,—While agreeing with Mr Rik Edwards' letter of May 30, that the Stock Exchange council took an unwise and arbitrary decision in preventing the 140 new Stock Exchange members from voting on June 4, it is too late to expect the council now, in its beleagured position, to change its mind and reverse this decision. Nevertheless should, as I think likely, the voting be a close-run race particularly on Resolution 2, and the margin for or against is within 140 votes either way, then all hell will break loose on the council, as it will be seen by some as a sophisticated form of ballot rigging to have denied the new members their votes.

However, perhaps the most incredible sop of all is that, having previously made it a condition that all new members should pass four Stock Exchange exams before being considered for membership, this has now been suspended since April 1985 in order, I conclude, to pacify some potentially troublesome new members, who might object to having been denied their vote.

If some members, who seeing both the options as basically unattractive but planning to acquiesce reluctantly and vote "yes"—ought to either not vote at all or say "no" and have the courage to back their judgment.

Richard Stancomb,
*The Round House,*
*Netton, Salisbury.*

## Small investors' applications

Sir,—The wider share ownership lobby is clearly going to be very irate at the basis of allocation of shares by Wold plc.

This issue was certainly aimed by the sponsors to woo the first-time or small investor. A minimum application for £95 worth of shares is almost unheard of nowadays. The end result was a massive over-subscription and no allocation of shares for those who applied for the minimum 100 shares.

The ill-will caused by the sponsors will do the City image no good at all.

Ian Finer,
*24 Jesmond Way,*
*Stanmore, Middlesex.*

## Unity of purpose in Europe

*From Mr F. S. Law.*

Sir,—Your three articles of Friday, May 24, all dealing with aspects of European Community matters, showed an insight into European affairs rarely achieved by the British Press.

In your leader "Democracy in Europe" you rightly point out that a powerless Parliament is a "paradox or worse" and you advocate an increase in the powers of the European Parliament, a point of view I share entirely. It needs, however, an act of political faith by the governments of the Ten (and shortly 12), which they seem to loath to make, as it would diminish the powers of the Council. Parliament should at least have the right and duty not only to reject the Community budget, but to be able to act positively.

You have advocated in the past that the UK should join the EMS; again one must agree, and it is hoped that the latest efforts, as reported by Quentin Peel, by Tory MEPs with the Chancellor, will finally persuade the Government of the practical advantages such a move would have. But perhaps even more important is the psychological effect this would have on our partners, thus showing our total commitment to the European Community.

Finally you reported the failure of the 10 transport ministers, despite the sharp reprimand by the European Court, to reach any decision on drivers' hours. It is a disgrace that a common transport policy still seems years away from becoming reality.

Much time and effort by the Commission officials, by individual transport officials in all the member states, careful and well prepared briefs, suggestions and opinions put forward by MEPs and particularly by the Economic Social Committee, have so far produced nil results, and yet it is possible to reach acceptable proposals. The economic and social committee, whose work is not mentioned often in your own columns and that of your "confrères," produced an excellent compromise solution on drivers' hours. Of course there had to be goodwill by both employers and employees, by the representatives of the various member states, but the end result was acceptable to all. So why did it take the transport ministers all day not to reach a decision?

If we cannot reach a decision on a matter such as drivers' hours, how will we ever achieve a European transport policy?

F. S. Law,
*61 Cadogan Square,*
*London SW1.*

## Stock Exchange votes

*From Mr Charles Emery*

Sir,—With reference to the moan by Mr Rik Edwards that new Stock Exchange members have no vote, what about those members of 20, 30, 40 or more years' standing? They get nothing more than a member of two years' standing, despite having spent their years building up the exchange to what it is today.

Charles Emery,
Capital House,
*22, City Road, EC1.*

## Conflict over aid and trade

*From Mr P. Hodgson*

Sir,—I refer to the article by Christian Tyler, headed "British wrangle over aid for trade," published in your paper on May 24.

As financial adviser to Projects and Export Policy Division, part of Department of Trade and Industry, from 1981 to 1983, I was deeply involved in the seemingly endless debate over the Aid and Trade Provision, and the question of conflicting interests between commercialism on the one hand and developmental criteria on the other. I know of no other major exporting nation which would agonise over such matters for so long.

No donor country can afford to ignore the commercial potential of its aid and indeed some even argue that such a diversion of resources is only acceptable to domestic public opinion if there is clear evidence that both parties benefit from its use.

Underlying this debate is the fundamental issue of what should be the UK response, given our limited resources, in the face of the increasing use by other countries of the technique of "mixed-credit." The UK has a smaller proportion of its total aid programme devoted to bilateral aid than any of our main competitors. Bilateral aid is the form of aid most amenable for donors to bias towards their own purposes. So, when so many developmentally desirable investments can equally have commercial benefits for the donor, the scope for our competitors to use aid to further their industries market penetration is much higher than ours.

The declared position of the Government is that it will retain a capability to act in this area while working towards phasing out this practice multilaterally. Any other action would be nothing short of disastrous in an increasingly competitive world.

Professor Toye's opinion that the use of ATP has been in support of "ducks with perambulation difficulties" is a nonsense. Leading and highly competitive companies have obtained major contracts for the UK and to the benefit of a wide range of small subcontractors throughout the country on whom we now rely so heavily to create new employment.

There are already in place many safeguards for the use of ATP for only developmentally and economically sound projects. Indeed the much criticised delay in obtaining approvals for the use of ATP are due to these established "hurdles" which give rise to copious opportunities for further debate on individual cases. Professor Toye's proposals that aid should only be available after projects have been put out to open and competitive tenders shows his lack of understanding of the way in which developing countries now play the "credit game." It is already proposed within OECD that there should be a reporting procedure when aid offers are made. Whether this will prove a meaningful weapon in attacking the practise is yet to be seen.

When will people like Prof Toye realise that without export trade this nation will not be able to afford the luxury of an aid programme at all—be it pure or otherwise.

Patrick Hodgson,
Executive Director,
*Major Projects Association,*
*Templeton College,*
*Kennington,*
*Oxford.*

FINANCIAL TIMES

Monday June 3 1985



Terry Byland on Wall Street

# Prospects prove appealing

THE prospects for lower interest rates and cheaper oil were underpinning entusiasm on Wall Street by the end of last week. Yields at the long end of the bond market *had tumbled* by *about 30 basis* points by Friday night and the airline stocks, the immediate beneficiaries from lower crude prices, helped drive the Dow Jones Transportation average to new peaks.

And yet, as IBM rather grudgingly admitted, the outlook from the corporate boardrooms of America is not entirely cloudless. If the economy is slowing down, then the outlook for company profits is slightly suspect – even by those who believe that the *second half* of the year will bring better news.

Indeed, last week's net rise in the stock market came only after investors had decided to brush aside the poor performance of the high-technology sector, which saw some hefty losses on Thursday as the market tried to puzzle out what it thought about IBM.

It looks as though advance from 1300 will continue to be sector driven, with some sectors left on the sidelines as investors pick out those areas with most to gain from current economic trends.

Retail stocks, food and beverage issues, rail issues and farm equipment stocks – and several other sectors – have lagged behind the general rise in the market. The leading industrial market yardsticks, the Dow Jones and Standard & Poor's indices, are not neccessarily the best guide to such a fractured market.

Bank stocks, for example, have risen strongly since the final quarter of last year and now show far and away the best return on portfolio investment at 26.2 per cent for the year to date. The heavyweight New York banks have fared best, as they have twice postponed reducing prime rates until well after the slump in short-term rates had slashed their own cost of funds.

Investors now ask themselves whether these stocks have any further bounce left in them. At Smith Barney, Mr Marshall Acuff points out that, measured against the S & P 500 index, bank stocks are now returning yields comparable with those optimistic days of the mid-sixties when Opec and Latin American debts were unknown as investment factors. Bank stocks now yield 118 per cent of the return on the S & P 500, compared with about 160 per cent of S & P in the dark days early in 1984.

It would probably need a significant and lasting solution to the international problem loans to justify a further advance in bank stocks. Investors should be wary of the sector's brush with profit-takers last week.

But there are other areas of the financial sector which have not yet responded fully to falling interest rates. The regional banks, once Wall Street's favourites, have been brushed aside by the money centre stocks since the turn of the year. The savings and loan groups have been held back by the tremors in Ohio and Maryland, while life insurance stocks have lagged behind the rest of the insurance sector.

In the case of the electric utility companies, returns so far this year have also been excellent at more than 17 per cent, but a comparison with the S & P yield suggests that there may be further benefits in store for stock prices. The electric utilities now yield about 220 per cent of the S & P yield. But utilities have traditionally offered a significantly lower return than industrial equities, and this trend is likely to reassert itself as U.S. industry slows down and the utilities benefit from lower interest rate charges. The rise in utility stocks may not be over yet by a long way.

Another sector apparently out of line is the pharmaceutical industry, where stocks are traditionally measured in terms of price earnings multiples, as befits stocks bought for growth rather than for income.

Earnings multiples on the pharmaceuticals are still surprisingly low at only about 130 per cent of the multiple on the S&P 500. In the past the relative spread has been well *above* the *200 mark*. The *difference* between the two reflects the effect on pharmaceutical earnings of a strong dollar.

The joker in the pack is the takeover sector, which has now spread from the oil sector to the consumer areas, where Nabisco brands has become the market's appointed target stock. The pandemonium in the oil sector, which has been driving oil stocks ahead despite expectations of lower crude prices, may now be coming to an end – if only because Unocal seems to have shown the way to foil some of the cruder predators.

But barring any outburst of bid fever among the food and retail issues these sectors are expected to remain sluggish against the market's trend.

# Opec ministers discuss cuts in output and price

BY IAN HARGREAVES IN LONDON AND KATHY EVANS IN TEHRAN

SENIOR ministers from the Organisation of Petroleum Exporting Countries met in Saudi Arabia yesterday at the start of what promises to be a long, hot summer of meetings to discuss possible cuts either in output or the price of some grades of crude oil.

As spot market prices continue to weaken into the summer demand trough, pressure is growing on Opec to cut official prices of at least heavy grades of crude. A formal decision, however, is unlikely to be taken before the next full meeting of Opec ministers in July.

In an interview published in a Saudi newspaper at the weekend, Sheikh *Ahmed Zaki* Yamani, the Saudi Oil Minister, said he would continue to defend Opec's official pricing structure agreed in January, but hinted that there could be a change in heavy crude prices.

"The matter is subject to price differentials, which influence the prices of various types of oil and which fluctuate upward or downward according to the movement of prices of petroleum products worldwide," *he said*.

Since the January agreement, which ratified an earlier increase in the price of Arabian Heavy from $26 to $26.50 n barrel, heavy prices have fallen sharply following the end of the UK coal strike, which had boosted demand. At the end of last week, the spot market price for Arabian Heavy was around $25.25.

The price of Arabian Light is also out of line with current market levels, with an official price of $28 and n *spot price* of $26.80.

Ten Opec ministers are in the Saudi resort city of Taif for the latest round of meetings, which involve a ministerial executive council, which took place yesterday, and the market monitoring committee, which meets tomorrow.

They are expected to focus on the problems of weak oil demand, overproduction by some members and the damage being done to Opec's pricing mechanisms by large-scale oil barter deals at discount prices.

As part of its pitch for the next round of Opec negotiations, one of the leading participants in oil barter, Iran, *claimed at the weekend* that it had reduced its oil production to 1.5m barrels a day (b/d) and had cut back sharply on barter

"We have found that barter has damaged our exports in the market and in future only about 10 per cent of our oil will be sold in this way," said Mr Karamulla Mirzaei, newly appointed head of international affairs for the National Iranian Oil Company.

The decision follows pressure from purchasers of barter oil to renegotiate around $1bn of recent deals to reflect falling oil spot market prices.

If Iran were to cease barter trade and price discounting, it would find it extremely difficult even to sell as much as 1.5m b/d of oil, which involves exports of 0.8m b/d.

*It* seems likely that Iran's purpose in proclaiming such n low output figure, which compares with its permitted quota of 2.3m b/d, is to add to the pressure for more general production discipline within Opec.

# Ethylene prices rise as plant accidents cut capacity by 10%

BY TONY JACKSON IN LONDON

ETHYLENE and propylene prices are rising sharply as the result of an extraordinary series of accidents at chemicals plants across Europe.

Esso's ethylene cracker at Stenungsund in Sweden was put out of action on May 18 by the collapse of its cooling tower. Three days later Italian producer Enichem's cracker at Priolo in Sicily was damaged by fire. Together with the explosion at the Rheinische Olefinwerke (ROW) cracker in West Germany in January, the accidents have taken out 10 per cent of Europe's total ethylene capacity.

*Enichem says* that as a result prices of both ethylene and propylene – also produced by all three crackers – have risen by more than 10 per cent in the last 30 days. "We would expect prices to rise further – perhaps by another 5 to 10 per cent – before the start of the summer season," an Enichem official said.

In the light of acute European overcapacity in ethylene – amounting to perhaps 30 per cent before the accidents – there is considerable speculation as to how much of the lost capacity will be replaced.

The Enichem cracker, with an ethylene capacity of more than 600,000 tonnes per year, will be out of action for a number of months or possibly a year. The company is looking at the option of reopening a mothballed plant at Gela in Sicily, and stepping up production at another at Porto Torres in Sardinia. However, even combined, these measures would replace only a third of the *missing* capacity.

The Stenungsund plant, with an ethylene capacity of 360,000 tonnes, is part of a proposed sale by Esso of some of its chemicals assets to Statiol of Norway. "We expect the takeover to take place by the fourth quarter of this year," Esso said. "But we will have the cracker repaired by the end of this month."

Shell and BASF, joint owners of the destroyed 200,000 tonne ROW cracker, had previously expressed the firm intention of rebuilding it. However, it seems likely that plans have been changed by recent events.

The situation is complicated by the actions of the Saudis, whose huge new polyethylene plants came on stream earlier this year, prompting fears that the European market would be *swamped* by *low-cost* production from Saudi Arabia.

# Tokyo eases finance market rules

BY CARLA RAPOPORT IN TOKYO

JAPANESE *Government officials* and leading financial institutions took further important steps at the weekend toward relaxing the regulations surrounding Japan's financial markets and boosting the use of the yen in international finance.

The steps included:

- *The establishment* of *yen-denominated* banker's acceptance market, which will give exporters and importers another means of short-term financing and most likely increase the use of the yen in world trade.
- The start-up of full-scale trading in government bonds by Japanese banks and five foreign banks.
- The announcement of plans by Japan's big five commercial banks *to launch* their *first foreign currency convertible bond issues on the* Euromarket in July.

The Bank of Japan said that about Y62bn ($24.6m) in trade took place in the banker's acceptance (BA) market on Saturday – its first day. The market involves the sale of yen-based trade financing bills, which are accepted by banks. Banks sell them to investors and use the funds they raise, in turn, for trade finance.

The Bank of Japan, the central bank, said that interest rates on one to three month BAs averaged 6.2 to 6.3 per cent, slightly lower than rates on other short-term debt instruments such as certificates of deposit (CDs).

Currently, only about 3 to 4 per cent of Japan's imports are paid in yen, *with only about* 40 per cent of *its exports billed in yen. Bank officials* are hoping that the new short-term instruments will help promote the use of the yen in both imports and exports.

Also on Saturday, Japan's Finance Ministry gave permission to 50 more banks, including five *foreign banks*, to *deal* in *government* and other public bonds.

At the same time, the Finance Ministry also approved dealings in CDs by 63 Japanese and eight foreign securities firms. The Japanese firms were also given permission to extend loans of up to Y2m with government *bonds posted as security*.

The eight foreign securities firms in this market include Merrill Lynch, Smith Barney and Salomon Brothers.

# Assad may propose Lebanese talks

Continued from Page 1

is that Mr Berri is having great difficulty pacifying the camps, and Palestinian leaders in Damascus vow to "fight to the last man" if their demands for a continuing security role for Palestinian fighters in the three refugee camps are not met.

"Of course, we are prepared to fight to the last man," Mr Jamil Hilal, spokesman for the Moscow-oriented Democratic Front for the Liberation of Palestine (DFLP), said. "What do we have to lose? What guarantee do we have our men will not be massacred?"

Looming large in the minds of Palestinian leaders are the massacres in Sabra and Chatilla in September, 1981, at the hands of the Christian militia when the camps were undefended.

Mr Hilal said the Palestinians could *"hold out"* in *Bourj el-Brajneh*, the largest camp, for weeks and perhaps months.

In Beirut, Amal militia leaders say they have pacified Sabra and only small pockets of resistance remain in Chatilla. But in Bourj el-Brajneh, there are an estimated 1,000 to 3,000 Palestinian fighters apparently prepared to make a last stand against the Shias.

Mr Berri and Mr Walid Jumblatt, leader of the Druze Progressive Socialist Party, are said to have given their assent "in principle" to the Syrian scheme. But there are few observers in either Beirut or Damascus who believe that peace can be brought to Lebanon without further bloodshed.

President Hafez Assad

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 23 | 73 | Dubrovnik | S | 24 | 75 | Malaga | S | 23 | 73 | Salzburg | F | 20 | 68 |
| Akrotiri | S | 25 | 77 | Faro | F | 28 | 82 | Malta | S | 27 | 81 | Seoul | S | 23 | 73 |
| Algiers | F | 24 | 75 | Florence | F | 25 | 77 | Manila | F | 35 | 95 | Singapore | F | 32 | 90 |
| Amsterdam | S | 22 | 72 | Frankfurt | S | 23 | 73 | Miami | F | 31 | 88 | Stockholm | F | 28 | 82 |
| Athens | S | 25 | 77 | Funchal | C | 19 | 66 | Milan | S | 24 | 75 | Strasbourg | S | 21 | 70 |
| Bahrain | S | 34 | 93 | Geneva | S | 21 | 70 | Moscow | R | 15 | 59 | Sydney | S | 19 | 66 |
| Bangkok | S | 34 | 93 | Gibraltar | S | 23 | 73 | Munich | C | 15 | 59 | Taipei | F | 29 | 84 |
| Barcelona | S | 23 | 73 | Guernsey | S | 17 | 63 | Nairobi | F | 23 | 73 | Tangier | C | 27 | 81 |
| Beirut | F | 27 | 80 | Helsinki | S | 16 | 61 | Naples | S | 25 | 77 | Tehran | — | — | — |
| Belgrade | C | 17 | 63 | H. Kong | C | 27 | 81 | New Delhi | S | 35 | 95 | Tel Aviv | S | 31 | 88 |
| Berlin | S | 23 | 73 | Innsbruck | F | 21 | 70 | New York | R | 26 | 79 | Tenerife | F | 22 | 72 |
| Biarritz | F | 26 | 79 | Inverness | S | 19 | 66 | Nice | F | 23 | 73 | Tokyo | S | 23 | 73 |
| Blackpool | S | 20 | 68 | Istanbul | S | 23 | 73 | Oporto | F | 19 | 66 | Toronto | F | 27 | 81 |
| Bordeaux | F | 27 | 81 | Jersey | S | 20 | 68 | Oslo | S | 31 | 78 | Tunis | S | 31 | 88 |
| Brussels | S | 23 | 73 | Jo'burg | — | — | — | Paris | S | 24 | 75 | Valencia | F | 24 | 75 |
| Budapest | F | 18 | 64 | Las Palmas | F | 24 | 75 | Prague | R | 13 | 55 | Venice | F | 22 | 72 |
| B. Aires | F | 15 | 59 | Lima | F | 19 | 66 | Reykjavik | R | 7 | 45 | Vienna | C | 15 | 59 |
| Cairo | S | 41 | 106 | Lisbon | C | 19 | 66 | Rio de J'o | F | 31 | 88 | Warsaw | C | 17 | 63 |
| Cape Town | S | 26 | 79 | Locarno | S | 24 | 75 | Rome | S | 25 | 77 | Zurich | S | 21 | 70 |
| Caracas | F | 26 | 79 | London | S | 21 | 70 | | | | | | | | |
| Casablanca | C | 23 | 73 | Los Angeles | C | 23 | 73 | | | | | | | | |
| Copenhagen | S | 21 | 70 | Luxembourg | S | 22 | 72 | | | | | | | | |
| Corfu | S | 21 | 81 | Madrid | F | 19 | 66 | | | | | | | | |
| Dublin | S | 17 | 63 | Majorca | S | 24 | 75 | | | | | | | | |

*Readings at mid-day yesterday:*

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Chirac seeks cut in state role

Continued from Page 1

ment but unable to rule on their own. Their policies would thus be tempered by those of the other opposition groups.

M Barre believes that promises of early tax cuts are irresponsible as they would lead to a further widening of the budget deficit.

In proposing the "shock" measures, the Gaullists have in mind both the precedent of Mr Reagan's success in the U.S. and de Gaulle's return to power in France in 1958 which injected fresh confidence into the economy. De Gaulle rapidly put through an economic package thet included a devaluation

# Focus on hi-tech in Zhao's UK visit

By Colina MacDougall in London

PREMIER Zhao Ziyang of China arrived in London last night for a *six-day visit which will include two* rounds of talks with Mrs Margaret Thatcher, the UK Prime Minister, and lunch with Queen Elisabeth at Buckingham Palace.

The focus of his programme will be on seeing sophisticated industries where Britain excels, with n view to broadening economic ties after last year's Hong Kong settlement between the two countries.

In keeping with this, the Premier's party includes Vice-Premier Tian Jiyun, *responsible for* economic and financial affairs, and three vice-ministers from the State Planning Commission, the State Economic Commission and the Ministry of Foreign Economic Relations and Trade.

Also accompanying the party is Wu Xuegian, the Foreign Minister, who is expected to have talks with Sir Geoffrey Howe, Britain's Foreign Secretary.

As well as talks on economic questions, the discussions with UK ministers are likely to include East-West relations, arms control, Afghanistan and south-east Asian problems.

The visit is of key importance in providing n basis for n new deeper relationship, Whitehall officials believe.

It is the second visit to the UK, by n Chinese premier (the first was by party chairman and premier Hua Guofeng in 1979) and the second by Premier Zhao, who toured Britain six years ago when governor of Sichuan province. Whitehall sees the visit as potentially more fruitful than either of these. The officials point out that Mrs Thatcher, after two recent visits to China, now knows Peking's top leaders quite well.

Chinese officials regularly repeat that, with the Hong Kong issue out of the way, trade with Britain is set to grow. A favourable background to the visit was provided by the signing on Friday of China's order for 10 British Aerospace 146 aircraft.

Premier Zhao will visit the Anderson Strathclyde group in Scotland, which has supplied China with mining machinery, and high-technology enterprises at the Cambridge Science Park in England.

He will leave on Saturday for a week's visit to West Germany, followed by two days in the Netherlands.

West Germany's sales to China, at more than $1bn last year, were *nearly three times those of Britain* at £317m ($404m).

Robert Thomson in Peking writes: On leaving for his tour of Europe, Premier Zhao denied speculation that he would soon replace Li Xiannian, the President, and that other major changes were planned for the Chinese leadership.

"I have recently read reports in Hong Kong newspapers of possible changes in Chinese leadership. I can tell you that all these reports have no grounds to support them,"

Referring to the health of Deng Xiaoping, the Chinese leader, Premier Zhao said: "Chairman Deng *Xiaoping enjoys very good health.*"

# Al-Fayeds buy 'friendly' stake in Debenhams

By Martin Dickson in London

HOUSE of Fraser, the UK department stores group, has built up a strategic 4.99 per cent stake in rival stores group Debenhams, which is fighting a £470m ($587.5m) takeover bid from Burton and Habitat-Mothercare.

The entrance of this major new player into the bid battle was roundly attacked last night by Mr Ralph Halpern, chairman of the Burton group. He accused House of Fraser of trying to block the emergence of a "more competitive" Debenhams group which might threaten its position.

House of Fraser, which was recently acquired by the Egyptian Al-Fayed brothers, is understood to have bought the stake because it wants a say in the fate of its major retail rival.

It appears to have no intention of launching n rival bid for Debenhams, which would be costly and would face the threat of a Monopolies and Mergers Commission inquiry.

But the group wants to be well placed to bid for any Debenhams assets which might be sold off as part of the management buy-out which Mr Robert Thornton, Debenham's chairman, is considering as a last-resort defence against the Burton bid.

House of Fraser bought about 7m shares, costing around £27m, in an operation that lasted just over a week and ended on Friday night, when Debenhams was informed of this "friendly" holding.

THE LEX COLUMN

# A crossroads in Throgmorton St

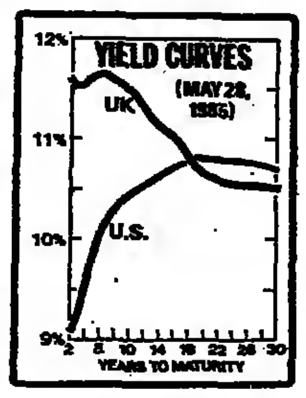
If the London Stock Exchange votes on Wednesday go against the proposed membership reforms, that would represent a victory for envy and nostalgia. An apparent choice to *delay* or prevent the changes – permitting outsiders to own the whole equity of *n member* firm, and making membership essentially corporate rather than personal – would really amount to no more than an ostrich gesture of distaste for the inevitable.

The more respectable part of this resistance is its regret for the dismantling of n *dealing system* – broker-jobber separation – which had for many years managed to produce a tolerably fair and liquid market in most securities. The fact that it did so without the need for the bulk of firms to operate on n large capital base, and gave an inbuilt protection to investors without the need for expensively-patrolled Chinese walls, is ample explanation for the remaining objections to its demise.

If there were anything to be gained by picking over the carcass of n lost campaign against the Department of Trade, the haggling could reasonably focus on the so-called "link argument" by which the Stock Exchange Council insisted that if fixed and excessive commissions were to become negotiable, then the *dealing system* would have to be replaced by dual-capacity, with all its inherent conflicts of interest.

Had the exchange been quick enough to concede the original complaint – thet gilt-edged commissions were too high – then it might possibly have escaped the wrangling about whether high commissions amounted to an illegitimate collection of monopoly rent. There was surely a period when the single-capacity dealing system might indeed have been saved – for a few years – by an undertaking to reduce gilt commissions to a competitive level.

It is arguable, however, that the internationalisation of securities markets would eventually have undermined the old dealing structure, and hence the central market, even if the Exchange had been more successful in its plea-bargaining with the Office of Fair Trading and Mr Cecil Parkinson, former head of the Department of Trade. With the end of exchange controls, the London equity market has enjoyed less of a captive audience among UK institutions, while the growing U.S. interest in geographical diversification has already taken the active market in a number of *British* blue-chips to New York.




With those influences in play, there has been no convincing case for resisting the council's main strategy; the dual capacity firm, trading on an international front, could not hope to be competitive on a world scale without the injection of outside capital. Thus the 100 per cent ownership resolution is in every sense the crucial step towards equipping the market for life in its new competitive environment. If it should fail, which seems improbable, the chances of saving a viable *central market from the wreckage* are remote; and the incentive for large international houses to rely on extending their telephone dealing systems outside any organised or regulated market would be irresistible.

Envy of course crept in when members of firms outside the top 20 or so found themselves looking in on a privileged auction. Although the strategic purpose of the alliances between the big brokers or jobbers and their new partners in banking or insurance was to bring the necessary outside capital into the re-defined and more capital intensive *market-making activity*, it was inescapable that the upper crust of the stock exchange had extracted a large amount of equity from their firms.

For those who had no direct interest in a saleable property – which includes most of the small broking firms doing standard agency business for private clients and for the smaller provincial institutions – it was natural to see the goodwill as being withdrawn as much from the exchange itself as from the specific business being injected into the new securities combines. The demand that every stock exchange member be able to cash in was as natural as it was hard to meet.

The council's response in Wednesday's second resolution – giving effect to n *market system for transferring* membership shares – is a compromise which tries to limit the cost of entry for outside firms to less than deterrent levels while allowing the existing members to realise something for their highly notional interest in the equity of the exchange. Since the council has at *least yielded on the principle* of tapping the shares out at £2,000 – properly allowing the market to price them instead – the issue may not be as contentious as it was.

It is a delicately balanced matter, all the same, given the 75 per cent majority required. But if the resolution is voted down, the result is more likely to be disorder than delay. It is the outer ring of stock exchange firms – not the inner circle – which has most to lose from *fragmentation of the central market*place. And in the last resort this proposal gives members n rare opportunity to withdraw some equity from a cartel just as it is being formally busted. It is not n chance which they should pass up.

## Bond flows

Domestic investors in gilt-edged may find it hard to believe that there is money to be made out of the *steeply* declining *yield* curve which has characterised the market for many weeks past. Given the apparent drift of bad money figures towards inevitable overfunding, that scepticism may be hard to overturn. Yet from an international perspective, it would appear that total returns on UK government securities may be looking relatively attractive.

At the short end of the market there is an arbitrage of at least a couple of points between gilts and U.S. Treasuries, and the gap is still significant – although less and less profitable all the way out to 15-year *maturities. If the sterling/dollar* rate could be counted on to remain stable, there would appear to be something for bond investors to go for.

Whether that means the authorities can look forward to selling serious quantities of stock to foreigners – principally to the Japanese who have done so well out of their Treasuries since yields started to fall last year – is not obvious. But if the UK market took in only a fifth of the total Japanese and West German bond-investment outflow, Wood Mackenzie estimates that it would probably be absorbing a cash flow of £400m n month. That scarcely abolishes the domestic pressure to fund, but it should help to keep funding costs down – if still rather higher than was *assumed* in the budgetary arithmetic.



Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. 

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday June 3 1985



INTERNATIONAL CREDITS

# Argentina faces new repayments crisis

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

A NEW crunch is looming this week over Argentina's efforts to restore order to its foreign debt. Unless an economic programme can be agreed with the International Monetary Fund by next Monday, the Government of President Raul Alfonsin risks seeing its debt being declared "value-impaired" by U.S. government agencies responsible for supervising the banking system.

Such a declaration would force U.S. banks to make provisions against losses on their Argentine loans. Worse still, in the eyes of many bankers, it could ruin any short-term chances of completing the $4.2bn loan package agreed last year by leading creditor banks as e means of financing the country's current payments gap. As a result, interest arrears on public sector debt which have already topped the $1bn mark could mount inexorably.

Already e frenetic round of activity has begun in the hope that Argentina will once again pull back from the brink. While talks continue with the IMF in Washington, the committee of leading creditors chaired by Citibank is to meet with top Argentine negotiators in New York tonight. The bankers will press Argentina to make at least some interest payments to pull its arrears, which presently stretch back to November 14, back within the critical 180-day mark.

But Sr Mario Brodersohn, Argentina's chief negotiator, has already told them that his country has no money to pay at the moment. Moreover he also faces another problem in the form of the failed Banco de Italia, which has foreign debts of $250m. These creditors may refuse to go along with the $4.2bn rescue package unless the debts are honoured.

Argentina thus badly needs to conclude its IMF agreement this week as it is the only way of unlocking fresh credit, initially in the form of possible bridging finance from other Latin countries. Without an IMF deal, the U.S. regulators would have little option but to downgrade Argentine debts when they meet on June 10.

The main fear now is therefore of e downgrading which, in the words of one banker, could cause Argentina's elaborate rescue package to fall apart, jeopardising other debtors' hopes of relief and producing e contagious loss of confidence that could ultimately threaten the banking system itself.

Because of this, the regulators are in an acutely difficult position. On the one hand they have to react to Argentina's late interest payments and failure to agree with the IMF; on the other they may not want to take a decision that would close the door indefinitely. For this reason bankers are hoping that any downgrading will be softened, possibly limited to the less damaging "sub-standard" category and possibly with a simultaneous promise to rescind the classification if an IMF agreement is eventually reached.

The Eurocredit market itself was last week domineted by e further string of successes for East European borrowers. Hungary launched a new $100m credit to tap excess demand generated by its recent World Bank co-financing. Netional Westminster doubled to $200m the credit it is leading for Bulgaria, while Deutsche Bank increased its credit for the Soviet Union to $300m from $200m. Also to be increased is the latest $200m deal for East Germany which has been more than twice oversubscribed in syndication.

Arco, the U.S. oil company, has raised a $400m note facility on undisclosed terms through Morgan Guaranty, while CCF has launched a $200m, seven-year CD issuance facility with an annual fee of 10 basis points and a maximum standby margin of 25 points depending on how much is drawn. The deal is led by itself with Bankers Trust and Morgan Guaranty.

INTERNATIONAL BONDS

# Falling U.S. rates hit Eurodollar deals

BY MAGGIE URRY IN LONDON

GONE are the days when e borrower could price e Eurodollar bond issue well below U.S. Treasury bond yields. For that sort of deal the Antipodean dollar Eurobond markets are now the place to go.

That simple distinction explains a lot of the action in the Eurobond market last week. The volume of new Eurodollar deals was low by the standards of recent months. Despite good investor interest – and now a real shortage of the right quality paper – which should encourage borrowers into the market, the difference between yields in Europe and the U.S. Treasury market are such that basic interest rate swaps do not work. Swaps are priced off U.S. Treasury yields and the U.S. market has been moving up much more strongly than the Eurodollar market.

One way round that problem is to launch a partly-paid issue. The investor only receives his coupon on the amount he puts up – getting lower money market rates on the balance until the final payment date. That way the borrower can make the swap work.

Investors can do well out of partly-paid deals if the dollar falls before the final payment. But the critics of last week's deals pointed out that there are more efficient ways of taking an option on the currency.

The Nordic Investment Bank issue not only got in first, but also came with a coupon which would have looked right on a fully-paid deal. It met some good demand and was trading well by the weekend. But the EIB deal came on tighter terms – just too tight said dealers, though the firm market was helping the issue by the end of the week. Also tight were Austria's terms for a partly-paid zero, which was trading at e discount around its 1¼ per cent commissions on Friday. That does give the extra gearing of a zero, though.

Syndicate managers were expecting, but not looking forward to, more partly-paid issues this week.

By contrast Alcan Aluminium (Canada) brought an old-fashioned unswapped Eurodollar deal on Friday.

Meanwhile, seemingly vast demand for the high interest rates and possible currency gains offered by Australian and New Zealand dollar Eurobonds have pushed both markets higher. There are few enough issues outstanding to make price movements erratic and some Australian dollar bonds were showing gains of as much as five points last week, though 1½ points was a more normal amount.

It was up, up and away for new issues, with lead managers rapidly increasing the size of deals on Friday. Orion Royal Bank added A$20m to the A$40m issue for ANZ Banking, and launched and increased a deal for GZB of Austria. With yields on five-year Australian government bonds around 14 per cent on an annual basis, swaps obviously work well.

Nissho Iwai's issue proceeds are thought to be being passed on to other borrowers, and the issue will probably not be increased.

New Zealand dollars were not to be left behind and Banque Gutzwiller raised its issue for Rural Banking and Finance from NZ$25m to NZ$40m. On Friday afternoon Morgan Stanley launched what quickly proved to be the largest New Zealand dollar Eurobond issue yet when an issue for Denmark was raised to NZ$60m from NZ$50m within minutes of launch.

With institutional as well as private investor demand being seen, these markets could go even better before the bubble eventually bursts, and more deals are expected.

The European curreocies were not left out of the rising market. Indeed an issue in European currency units these days seems unable to fail despite lower and lower coupons. Banque Paribas twice established a new low, first with a 9 per cent coupon for Sumitomo on Thursday and then an 8¾ per cent rate for Olivetti on Friday. Even so the deals were selling well within their fees.

With expectations of lower interest rates in the U.S. spreading to the Ecu, and investors looking for a fall in the dollar too, Ecu bonds are doubly attractive.

The more recherché corners of the Eurobond market were also performing well last week. The latest Euro-French franc issue was launched for IBM France and quickly increased from FFr 500m to FFr 700m. The merits of a queueing system are being displayed here – the next deal will be for Sweden in mid-June, by which time demand should have rebuilt again.

The D-Mark primary market was active last week, and the latest floating-rate note issue – for BNP – was trading close to par. The next floater is due today, for Ireland. Foreign-owned banks are beginning to get in to co-lead manager positions, though a foreign book runner has yet to be sighted. The secondary market was quieter last week with turnover low and prices slightly firmer.

Syndicate managers are expecting another busy week. Japan Air Lines is due to launch an issue today in Eurodollars, as is Nippon Kangyo Kakumaru with a convertible – the first for e Japanese securities house other than the big four. Credit Suisse First Boston is planning an Ecu issue for Mitsui Trust, likely to have e 9 per cent coupon and 100½ issue price for an 8½-year life. More deals are coming in the Swiss franc foreign bond market too, with SBC to bring a public issue for the State Commission of Victoria, and Banque Gutzwiller likely to announce two deals.

● As the non-U.S. dollar sectors of the Eurobond market gain in importance, Lehman Brothers has hired Philip Howard from UK stockbrokers Phillips & Drew to set up a sales, trading and research department to cover D-Mark, Dutch guilder, Ecu and yen bonds.

# Bankers poised for Euroyen floaters

BY OUR EUROMARKETS CORRESPONDENT

SCARCELY has the dust settled on the latest round of Japanese financial liberalisation but Japanese bankers are already bracing themselves for further innovation.

Following the launch on Saturday of a domestic bankers acceptance market and the expansion of trading in yen certificates of deposit, Ministry of Finance officials now say they are poised "in the near future" to permit floating-rate notes to be launched in Euroyen.

The news has caused a flurry of excitement among Japanese securities houses. With half an eye on the exuberance surrounding the launch of e D-Mark FRN market last month, they are now actively seeking suitable borrowers.

Hopes are high that a Euroyen FRN market could offer e way out of the dilemma that marked the opening of the Euroyen credit market in April. Then the Japanese banking community rejected a Y100bn credit from Sweden on the grounds that its ⅛ per cent margin was too low.

Floating-rate notes, the argument goes, traditionally carry lower margins than credits, and it ought therefore to be possible to agree terms that are acceptable both to the market and to prospective borrowers.

And given the seemingly insatiable demand among Japanese banking institutions for dollar FRNs, it ought to be easily possible to market large deals in yen as well.

But initially, at least, the securities houses still face the daunting task of persuading borrowers to take the plunge. This market needs a top quality sovereign borrower such as Australia or New Zealand to get it off the ground, bankers say. After the Swedish debacle few of them appear willing to put their prestige on the line for another Japanese experiment.

Meanwhile the Ministry of Finance also announced another change on Friday. It is to allow commercial banks to issue foreign currency-denominated convertible bonds for the first time. This should permit them to secure low cost funds and add to their capital while diversifying their range of shareholders.

**EUROMARKET TURNOVER**
Turnover ($m)

| Primary Market | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| U.S.$ | 2,404.7 | 421.4 | 803.8 | 25.3 |
| Prev | 980.6 | 8.1 | 2,157.3 | 62.5 |
| Other | 1,285.0 | 0.6 | 1,110.2 | 13.1 |
| Prev | 348.0 | 1.2 | 8.4 | 0.4 |
| Secondary Market | | | | |
| U.S.$ | 20,117.4 | 762.3 | 10,603.4 | 1,463.2 |
| Prev | 21,864.0 | 750.8 | 10,802.0 | 1,561.5 |
| Other | 2,852.4 | 52.2 | 305.1 | 1,096.3 |
| Prev | 3,171.5 | 162.2 | 367.9 | 1,144.2 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| U.S.$ | 12,840.7 | 23,761.2 | 36,601.9 |
| Prev | 12,212.1 | 25,774.8 | 37,986.9 |
| Other | 3,141.3 | 3,577.0 | 6,718.3 |
| Prev | 2,928.5 | 2,275.5 | 5,204.0 |

Week to May 30, 1985 — Source: AIBD

# Shake-up for Apple as profits fall back

By Paul Taylor in New York

APPLE, the U.S. West Coast personal computer group, is planning a major management reorganisation and corporate streamlining which will eliminate the day-to-day operating responsibilities of Mr Steven Jobs, the group's co-founder and chairman.

The move appears to represent an urgent ettempt by Mr John Scully, the president and chief executive, to assert his leadership at a time when the group is plagued with problems. Apple's earnings have plunged io recent months – in part reflecting weakness in the U.S. computer market.

Under the restructuring, which Wall Street views as an attempt by Apple to begin a transition from its entrepreneurial origins to a more conventional management structure, two separate product divisions will be reorganised into single manufacturing and marketing divisions responsible for all Apple products.

Mr Jobs, who has been general manager of Apple's Macintosh computer division, will remain only as chairman of the group, taking on what the company described as a more global role in product development and corporate strategy. Mr Jobs also remains Apple's largest shareholder.

Apple has suffered recently both from e general downturn in U.S. personal computer sales, which has hit all the big manufacturers, and from problems within the company itself. Analysts expect the group barely to break even in the current quarter ending June 28.

Responding to these pressures, which have sent its share price reeling, Apple has already attempted to reduce costs by scaling back advertising, ordering temporary factory closures, dropping its ill-fated Lisa computer and eliminating more than 1,600 jobs. The latest move is likely to result in further job cuts.

# INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

## Advisers find business brisk in Hong Kong

"WHAT we do is financial engineering," says Mr Jim Hunter, head of Citibank's treasury management operations in Hong Kong. "I see us as problem solvers, asking what the particular needs of customers are, and how they can be met."

No matter what the need — whether it is protection against a foreign exchange risk, reduction of high interest rates, or improvement of earnings on invested reserves—the world's leading banks are competing with increasing fierceness in Hong Kong for the lucrative fee-income that can be earned through auch specialised services.

Competition that begen in the U.S. and Europe bas spread rapidly across Asia to find a fertile boma in the British colony, where local traders learned long ago that currency fluctuations can strip away all the profits from e potentially lucrative deal.

Treasury managers have discovered e difference between the conservatively managed companies in South East Asie, and those in Hong Kong, where free-wheeling entrepreneurs tend to see their treasury departments as profit centres.

Whatever other reasons intruded, the volatility of Hong Kong's financial markets and of its currency, caused over the past three years by Sino-British negotiations over the territory's future, has concentrated the minds of even the most conservative finance directors.

"Exporters who were offered business denominated in weakening D-Marks or sterling often decided simply to say no to the business," Mr Hunter says. "What they should have done is say yes, and bedge their position on the forward foreign exchange markct."

Hedging against currency fluctuations has become less important since the local currency was linked to the U.S. dollar, but this link bas led inevitably to increased volatility in local interest rates. The need for improved Treasury management has, therefore, shifted rather than disappeared.

Mr Bill Wavish, who has recently stepped down as finance director of Hongkong Land, the property group which was swept perilously close to bankruptcy in the wake of Hong Kong's property market crash in 1982, has had just such an interest rate problem. He has worked closely with Treasury managers at Citibank and Wardley, the merchant banking gronp controlled by the Hongkong and Sbanghai Banking Corporation, to solve it.

Debts had mounted towards HK$16bn (U.S.$2.06bn). Just HK$4bn of this was medium or long-term borrowing, and a mere HK$1bn carried fixed interest. Mr Wavish comments: "With our kind of debt burden, you couldn't afford to roll over variable money when political crises here were sweeping interest rates up to 30 per cent. A greater proportion eimply bad to be at fixed rates."

He groans about the bankers who came to bim with textbook products concocted in New York or London: "The treaaury managers that have been successful have been those who analysed our special problems, and came with solutions tailored to solve them. It would not heve taken much bomework to discover, for example, that we don't need U.S. dollar swaps—but we still got a lot of offers."

Today, debts bave been trimmed to less than HK$12bn. All bnt HK$4bn is now met by long or medium-term loans, and e total of 16 interest rate swaps have increased to 20 per cent tbe proportion of debt carrying fixed interest.

"Tbe magic of products like swaps is that everyone emerges feeling he's the winner," Mr Wevisb concludes. "I get fixed rate money. The bank lending me it gets a bigher rate of return than it could expect on most markets. And the Treasury adviser walks away with a good fee."

**David Dodwell**

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead Manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| Ex-Im Bk of Japan‡ | 100 | 1995 | 10 | 10⅜ | 100⅜ | Salomon Brothers | 10.313 |
| Isetan § | 20 | 2000 | 15 | (3¼) | 100 | Nikko Secs. | * |
| Nordic Investment Bk (b)‡ | 100 | 1992 | 7 | 10½ | 89¾ | Morgan Stanley | 10.552 |
| Qantas Airways ‡ | 140 | 1995 | 10 | 10⅜ | 100¼ | Banque Paribas | 10.334 |
| Olympia & York ‡ | 125 | 1990 | 5 | 10⅛ | 100 | Morgan Stanley | 10.125 |
| Rep. of Austria (b)‡ | 257.5 | 1995 | 10 | 0 | 38.835 | Morgan Guaranty | 9.920 |
| EIB (b)‡ | 200 | 1990 | 5 | 10 | 100⅜ | Bankers Trust | 9.901 |
| Alcan (Canada) ‡ | 100 | 1995 | 10 | 11¼ | 100 | CSFB | 11.250 |
| **CANADIAN DOLLARS** | | | | | | | |
| Amex O/S Credit ‡ | 50 | 1990 | 5 | 10¾ | 100 | Lehman Brothers | 10.750 |
| Genstar ‡ | 75 | 1995 | 10 | 11¾ | 100 | Wood Gundy | 11.750 |
| City of Winnipeg ‡ | 50 | 1990 | 5 | 10⅝ | 100 | Wood Gundy | 10.625 |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Nat. Australian Bk ‡ | 40 | 1992 | 7 | 13⅜ | 100¼ | Orion Royal Bank | 13.319 |
| GZB of Australia ‡ | 50 | 1992 | 7 | 13¼ | 100⅞ | Orion Royal Bank | 13.165 |
| Nissho Iwai (Aust) ‡ | 30 | 1990 | 5 | 13¼ | 100¼ | Schroder Wagg | 13.179 |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Denmark ‡ | 60 | 1990 | 5 | 16 | 100 | Morgan Stanley | 16.000 |
| **D-MARKS** | | | | | | | |
| SATS ‡ | 150 | 1993 | 8 | 8 | 100 | Deutsche Bank | 8.000 |
| Malaysia ‡ | 100 | 1995 | 10 | 7½ | 100 | Deutsche Bank | 7.500 |
| Fujitsu § | 300 | 1990 | 5 | (2¾) | 100 | Deutsche Bank | * |
| BNP †(a)‡ | 250 | 1992 | 7 | 1/16 | 100 | Deutsche Bank | – |
| **SWISS FRANCS** | | | | | | | |
| Continental Health §‡ | 35 | 1995 | – | 6 | 100½ | Bqe Gutzwiller, K.B. | 5.932 |
| EPDC Japan ‡ | 100 | 1995 | – | 5⅜ | 99½ | SBC | 5.441 |
| Coleco Industries ‡§ | 150 max | 1993 | – | 6½ | 100 | Soditic | 6.500 |
| Shikoku Electric | 100 | 1995 | – | (5¾) | * | UBS | * |
| Asahi Malleable ** | 25 | 1990 | – | (3½) | * | Bk Julius Baer | * |
| Hanwa **¶ | 70 | 1990 | – | (3½) | * | Swiss Volksbank | * |
| Eurofima **‡ | 40 | 1993 | – | 5 | 99½ | SBC | 5.070 |
| Fujitsu § | 150 | 1993 | – | (1¾) | 100 | Crédit Suisse | * |
| Fujitsu **§ | 250 | 1990 | – | (1½) | 100 | Crédit Suisse | * |
| Asics Corp. **§ | 50 | 1990 | – | (1¾) | 100 | Crédit Suisse | * |
| **ECUs** | | | | | | | |
| Dresdner Fin. B.V. ‡ | 70 | 1993 | 8 | 9⅛ | 100¼ | Dresdner Bank | 9.089 |
| Sumitomo Fin. (Asia) ‡ | 75 | 1993 | 8 | 9 | 100¼ | Banque Paribas | 8.995 |
| Andelsbanken ‡ | 30 | 1992 | 7 | 9¼ | 100⅛ | Société Générale | 9.225 |
| Olivetti ‡ | 50 | 1993 | 8 | 8¾ | 100 | Banque Paribas | 8.750 |
| **DANISH KRONE** | | | | | | | |
| DKG ‡ | 250 | 1991 | 6 | 11¾ | 100 | Copenhagen Handelsbk | 11.750 |
| **FRENCH FRANCS** | | | | | | | |
| IBM France ‡ | 700 | 1990 | 5 | 11⅛ | 99¾ | BNP | 11.193 |
| **YEN** | | | | | | | |
| Quebec ‡ | 30bn | 1995 | 8 | 7 | 99.80 | Nomura Secs. | 7.030 |

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ‡ Dual-currency. (a) 1/16 over 6m Libor. (b) Partly paid. Note: Yields are calculated on AIBD basis.

## AGA profits advance for first quarter

By David Brown in Stockholm

AGA, the Swedisb industrial gas group, announces a strong rise in first quarter profits and expects full year results to exceed earlier forecasts, Mr Marcus Storch, the president, told shareholders.

Profits after financial items climbed to SKr 250m ($28.4m) from the SKr 154m achieved during the saem period a year earlier. The result includes SKr 50m in profits from the Tresort investment gronp and the Uddebolm tooling steel and hydropower group which AGA took control of late last year.

Uddeholm's full-year results will exceed the earlier forecast of SKr 200m, Mr Storch said. Both tbe AGA gas and refrigeration units will also show strong improvement from the combined SKr 728m achieved in 1984.

In mid-May AGA launched one of tbe biggest corporate take-over bids in Sweden with its SKr 3bn attempt to raise its stake in Uddeholm o over 90 per cent and gain control over substantial liquid and other assets.

### Hokkaido Takushoku

Japan's 13th largest city bank is Hokkaido Takushoku Bank and not Hokuetsu Bank as incorrectly reported last Friday.

## BP plan for Seltrust faces legal challenge

By JOHN McILWRAITH IN PERTH

A LENGTHY attempt by BP to restructure its troubled Australian mining subsidiary, Seltrust Holdings, has been delayed again, this time by a legal challenge.

BP first presented a scheme of arrangement in January, but the Australian minority shareholders rejected it.

A second proposal was overwhelmingly approved by the shareholders on Friday. But MIM Holdings is challenging the proposal through the courts so implementation of the scbeme will have to await tha outcome of legal hearings.

MIM, which has a 40 per cent interest in the Agnew nickel project, claims that part of the scheme would breach a joint venture agreement in which Seltrust is the other participant.

MIM's action is likely to delay the Seltrust restructuring by at least six weeks. Under BP's proposed scheme, about A$23m (US$15.3m) of Seltrust assets would be transferred to a new company, Paragon Resources NL, which would seek a listing on Australian stock exchanges.

The BP scheme gives shareholders the choice of accepting 3.5 Paragon shares and options for each Seltrust share, or 60 cents in cash.

Australian minority shareholders beve just under 25 per cent of Seltrust, with BP the balance.

The new company would be given a mejor interest in a gold project in New South Wales, about A$15.5m in cash, of which A$6.3m would be lent to Seltrust as part of the consideration for the right to buy nickel concentrates.

It is this last condition which has led to the legal challenge. MIM claims that the proposal that Seltrust should buy 9.5 per cent of Agnew's nickel concentrates is an assignment which constitutes a breach of the joint venture agreements.

At Friday's meeting Seltrust's liquidators said that legal advice, confirmed after MIM's summons, was that the nickel transaction did not contravene the joint venture agreement.

If the scbeme finally becomes a reality, Seltrust will be wbolly owned by BP which would be liable for the mining company's debts of about A$137m (most of which is owed to BP).

It would also retain the 60 per cent interest in the Agnew project and a smaller nearby mining operation.

## Mediobanca purchase

BY ALAN FRIEDMAN IN MILAN

MEDIOBANCA, the Italian merchant bank, has acquired Carlo de Benedetti's 13.62 per cent stake in the Pesenti family's Italmobiliare holding group which bas interests ranging from engineering and property to finance and steel.

The sale of tbe Italmobiliare shares comes nine months after Sig. de Benedetti acquired the stake following the death of Signor Carlo Pesenti, the Catholic financier who founded Italmoboliare and who was also the largest single shareholder in Banco Ambrosiano.

Sig da Benedetti tried last eutumn to persaude Signor Giampiero Pesenti, the beir to Italmobiliare, to form an alliance and recapitalise the heavily indebted company. But Sig Pesenti chose instead to reduce Italmobillare's borrowings by selling the company's controlling stake in RAS, the second largest Italian Insurer, to West Germany's Allianz.

● Nuovo Banco Ambrosiano, the successor bank to the Ambrosiano group, says that thonsands of smaller shareholders of Calvi's bank have converted warrants into sbares of Nuovo Ambrosiano.

## Shake-up at Jungheinrich

BY PETER BRUCE IN BONN

JUNGHEINRICH, the West German privately owned fork lift truck manufacturer, announces sweeping changes to its management, including the departure of the two men traditionally credited with establishing it as the leading European producer of electrically powered vehicles — Herr Klaus Rosenkranz and Herr Walter Gnauert.

The company gave no reasons for the departure of its two most senior executives. They are to be replaced by Herr Winfried Lange and Herr Franz Guenter Wolf, whose wives each own half the company.

At the same time, Hamburg-based Jungheinrich said present management operations are to be shrunk into a simple bolding company and the group's robot business is to be spun-off to become a separate automated materials handling and warebouse division, capitalised at DM 10m ($3.3m).

Jungheinrich, which last year took over the West German operations of Eaton-Yale lift trucks, recorded a 15 per cent increase in turnover to DM 737m in 1984.

## Farm loans sink seven U.S. banks

BY PAUL TAYLOR IN NEW YORK

NEBRASKA'S department of banking and finance ordered the closure of four agricultural banks late on Friday because of what it described as problem farm loans. The move highlights the continning problems of the U.S. farm sector and the small banks that serve it.

One of the four banks, the Bank of Taylor, with deposits of about $12.2m in 3,500 accounts, will reopen this morning as a subsidiary of the Union Bank and Trust Company of Lincoln after federal officials arranged a rescue involving $9.6m in federal funds.

The other three banks are owned by Mr Roger Voorbees of Omaha. Their fate was uncertain yesterday, although it is probable that the Federal Deposit Insurance Corporation (FDIC) will also seek merger partners for them.

All four banks were covered by federal insurance, which should ensure that depositors suffer no losses. The latest failures bring to seven the number of Nebraskan banks which have been forced to close their doors this year.

Elsewhere, federal and state regulators closed three other small banks in Arkansas, Minnesota and Oregon, again because of problem agricultural loans. The seven bank failures are the largest number in a single day since the Depression years.

● The Federal Home Loan Bank Board named a new board of directors for the ailing Central Savings and Loan Association of San Diego after efforts to find a buyer for the troubled thrift apparently failed. Central Savings, with $2.2bn in assets and 48 offices, is one of California's 20 largest thrift institutions. It has lost more than $50m since 1981.

U.S. MONEY AND CREDIT

# Signs of further Fed easing spur the market

THE CREDIT markets turned in another sparkling performance in the holiday-shortened trading week spurred by further signs of economic weakness and a growing market conviction that if this persists, the Federal Reserve will ease further.

After pausing for breath after the President unveiled his tax reform package, the rally reached a crescendo on Friday as a wave of speculation about a further discount rate cut from its current 7.5 per cent level swept through the markets.

By the close on Friday, bond prices were between 1 and 2¼ points higher on the week continuing the recent bull rally which has sent the yield on the long bond spinning down by almost 75 basis points in just four weeks.

Money market rates also continued to fall, with bank certificates of deposit showing the biggest declines of between 10 and 25 basis points. Yield levels are now about 45 to 65 basis points below their late 1982-83 cyclical troughs. T-bill rates edged lower, with the largest declines posted by longer dated bills resulting in a further slight flattening of the yield curve at the short end.

U.S. MONEY MARKET RATES (%)

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 7.71 | 7.68 | 0.28 | 11.77 | 7.68 |
| Three-month Treasury bills | 7.13 | 7.17 | 7.61 | 10.77 | 7.13 |
| Six-month Treasury bills | 7.23 | 7.38 | 7.89 | 10.83 | 7.23 |
| Three-month prime CDs | 7.45 | 7.65 | 8.30 | 11.90 | 8.45 |
| 30-day Commercial Paper | 7.45 | 7.50 | 8.06 | 11.38 | 7.45 |
| 90-day Commercial Paper | 7.50 | 7.63 | 9.10 | 11.40 | 7.45 |

U.S. BOND PRICES AND YIELDS (%)

| | Last Friday | Change on week | Yield | 1 week ago | 4 wks ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 107⅞ | +1⅛ | 10.12 | 10.40 | 11.08 |
| 20-year Treasury | 110⅜ | +2⅛ | 10.68 | 10.65 | 11.50 |
| 30-year Treasury | 106⅝ | +2½ | 10.67 | 10.84 | 11.31 |
| New 10-year "A" Financial | N/A | +2⅛ | 10.98 | 11.25 | 11.65 |
| New "AA" Long utility | N/A | +2⅛ | 11.38 | 11.63 | 12.25 |
| New "AA" Long industrial | N/A | +⅛ | 11.25 | 11.50 | 12.13 |

Source: Salomon Bros (estimates).

Money Supply: In the week ended May 20 M1 rose by $4.5bn to $582.3bn.

Once again trading was paced by the latest economic statistics, which included a sharp 11.9 per cent drop in house sales, declines in factory and durable goods orders and a 0.2 per cent decline in April leading economic indicators. All this was coupled with the pronouncements of leading economic gurus and assorted Fed officials.

Mr Preston Martin, the Fed vice-chairman, noting continued weakness in commodity prices, declared that "disinflation is here to stay for the foreseeable future," while two other Fed governors, Ms Martha Seger and Mr Henry Wallich, confirmed that the Fed was currently paying more attention to the dollar and less to M1 in its policy deliberations.

However, Mr Wallich also forecast that the economy was poised for healthy expansion over the rest of the year, and projected that GNP would expand at an annual pace of around 3 per cent in the second half.

Wall Street will be watching Friday's May unemployment number closely for further indications of the state of the economy in the second quarter. In the meantime, the mounting evidence that the Fed is not unduly worried about the recent rapid growth of M1 — which accelerated from a 6 per cent pace in March and April to around 13 per cent in May —is good news for the credit markets.

This was reflected last week in the almost non-existent credit market reaction to the huge $4.5bn increase in the basic money supply measure. The view that rapid M1 growth is unlikely to deflect the Fed from its current accommodative stance received the backing of Dr Henry Kaufman of Salomon Brothers in his latest comments on credit.

Dr Kaufman noted: "Whatever the causes of the faster recent money growth, the Fed has clearly indicated that it is not unduly concerned. The reason is that it is focusing on the as yet weak rebound in the economy."

Some senior Wall Street economists have, however, already made up their minds that a further easing in the monetary reins is likely, though they expect the Fed to wait until shortly before or after the June 20 release of the "flash" GNP figure before the next discount rate cut.

Mr Philip Braverman of Briggs Schaedle, who believes the GNP number will come in at roughly 2.5 per cent, is currently predicting a funds mid point of 7.5 per cent "in a matter of weeks, with further reductions in the funds rate and another cut in the discount rate beyond that."

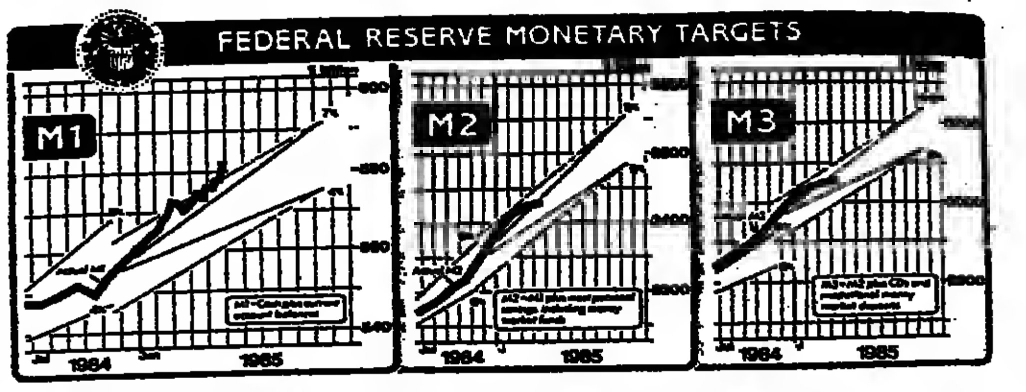
For the moment the credit markets are lapping up such bullish comments. Last Wednesday the markets absorbed $7.01bn of new Treasury five-year notes together with another $1bn of foreign targeted notes without a hiccup. The domestic slab of the offering sold at an average yield of 9.93 per cent and the issue closed the week yielding 9.77 per cent.

In the corporate markets, the flood of new paper continued but still does not appear to have caused any major digestion problems. Most of the $1.9bn in new offerings last week were of intermediate-term finance issues and were well received, while seasoned issues gained about a point on the week. The barrage of new issues looks set to continue.

Among the major new offerings last week Chevron Capital USA sold $300m of 10-year 10¾ per cent notes priced to yield 10.82 per cent. Ford Motor Credit made a double offering of $100m in 14-year adjustable rate notes and $200m of 10-year 11 per cent paper which was priced at par.

General Motors offered $200m of three-year 9¾ per cent notes priced to yield 9.76 per cent and $300m of five-year 10¼ per cent notes priced to yield 10.29 per cent. Coca Cola Bottling sold $100m of 12¼ per cent 10-year notes priced to yield 12.2 per cent.

**Paul Taylor**




UK GILTS

# Buoyant pound underpins strong price gains

THE GILT-EDGED market showed once again last week how prices can rise strongly on the back of sterling and foreign buying at a time when Britain's institutional investors are still showing a distinct preference for bank deposits.

The pound's gains — which came in spite of fresh worries about the resilience of oil prices —brought renewed speculation that there may be scope for a small cut in base rates if Tuesday's money supply figures do not provide any major shocks.

Long-dated gilt-edged issues advanced by around 2 points and shorter-dated stocks by around half that amount, allowing the Bank of England to maintain the momentum of its funding.

Brokers reported that a significant chunk of the £150m tranche of Treasury 10 per cent 1992 and the £250m of Exchequer 10½ per cent 2005 was taken up by overseas buyers, though one or two domestic institutions were also buyers.

The Bank, meanwhile, appeared to confirm the suspicion that it has forgotten how to issue traditional tap stocks by announcing a further £600m in tranches of existing stock for dealing from today.

The three equal tranches of 11 per cent Exchequer 1990, 10½ per cent 1999 and 11¾ per cent Treasury 2003-2007 are aimed at catching as much of the current demand as possible but left some people wondering whether the Bank has abandoned the idea of giving ordinary investors the chance to tender for stock.

As for the foreign buying, every broker had a different story to tell as to where most of the demand was coming from. But it seems clear that Japanese, European and to a lesser extent Arab investors have been the key players.

Whereas British institutions are discouraged by the steeply downward sloping yield curve —which they see as a brake on any capital gains—overseas buyers have been much more concerned with the yield differentials between the London and other markets.

As broker Wood, Mackenzie points out in its latest Gilts Market Analysis, U.S. bond yields are now below gilt yields for the key 50 to 15-maturity range.

The perception that the authorities want the pound to remain strong to squeeze out the recent upsurge in inflation also served to underpin sentiment.

Amid the general confidence, however, the more cautious were wondering just how far the market can go on advancing.

Even if the money supply figures allow a ½ point cut in base rates few are expecting any further significant reduction for some time. The gilt-edged market is already discounting a cut 1 to 1½ points.

The renewed signals from Mr Nigel Lawson that the Treasury has downgraded sterling M3 and the Bank's caution on funding persuaded some of the cynics that the growth of the broad measure in May could be above the ½ per cent already discounted.

Looking forward to May's inflation figures, due on June 14, there was also scepticism as to how attractive yields of just over 10½ per cent at the long end of the market would look if annual price rises are running as expected at 7½ per cent.

The conundrum for authorities is that they need to keep sterling high to prove their resolve on inflation and to maintain foreign demand for gilt-edged. But that means they cannot cut interest rates fast enough to make the market more attractive to the institutions here.

And if the Treasury has finally weaned itself off sterling M3, the consensus in the market is that gilt-edged investors still need more convincing.

**Philip Stephens**



## FT/AIBD INTERNATIONAL BOND SERVICE

| U.S. DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| AHFC O/O Fin 11¾ 94 | 100 | 104¾ | +1¼ | 10.94 |
| AIOC II 89 | 75 | 102⅝ | +0¾ | 10.24 |
| AIOC 11⅞ 90 | 100 | 101⅜ | −0⅜ | 11.45 |
| Amer Savings 12 89 | 125 | 102½ | +0⅜ | 11.13 |
| Amer Savings 12¾ 99 | 100 | 102⅞ | +0¾ | 11.30 |
| Asian Dev Bk 11¾ 93 | 100 | 106 | +1⅛ | 10.57 |
| Australia 11¼ 90 | 100 | 106⅞ | +1¼ | 9.94 |
| Australia 11½ 96 | 300 | 104⅞ | +0⅞ | 10.68 |
| Australia 11¼ 99 | 100 | 100¾ | +1 | 10.76 |
| Austria 15½ 88 | 75 | 112½ | +0¾ | 10.09 |
| Avco Fin 13¾ 91 | 100 | 104½ | −0⅝ | 12.16 |
| Bk Nova Scotia 13¾ 87 | 100 | 100⅝ | +1 | 9.91 |
| Bank of Tokyo 12⅜ 92 | 100 | 103⅝ | 0 | 11.61 |
| Bank of Tokyo 13⅝ 91 | 100 | 110½ | +0⅞ | 11.14 |
| Bank of Tokyo 13⅞ 89 | 100 | 110½ | +0¾ | 10.66 |
| Bergen Bank 11⅛ 90 | 75 | 98⅝ | +0⅜ | 11.69 |
| BP Capital 11⅛ 92 | 150 | 101⅛ | +0⅞ | 10.74 |
| Br Col Hydro 11¾ 93 | 200 | 106⅝ | +1⅛ | 10.56 |
| Br Col Hydro 12½ 14 | 200 | 107⅞ | +1 | 11.93 |
| Br Col Hydro 12½ 13 | 250 | 109 | +2 | 11.75 |
| Britoil Fin 11⅞ 90 | 125 | 102⅞ | −0⅛ | 11.10 |
| Caisse Nat En 11¾ 95 | 125 | 104 | +1⅛ | 11.03 |
| Canada 10⅞ 89 | 600 | 103⅜ | +0⅜ | 9.87 |
| Casio Computer 5⅞ 89 | 80 | 127½ | +13½ | −1.18 |
| CBS Inc 11¾ 92 | 100 | 103½ | +0¾ | 10.85 |
| Centrust S & L 10 00 | 1bn | 0 | +0⅞ | 12.06 |
| Chesebrough 12 93 | 100 | 101 | +0¾ | 11.76 |
| Chrysler Fin 13¾ 94 | 150 | 106 | +0¾ | 12.12 |
| Citicorp O/S 10⅜ 92 | 100 | 98⅝ | +0¾ | 10.71 |
| Citicorp O/S 11½ 92 | 100 | 103½ | +0⅜ | 10.91 |
| Citicorp 11¾ 92 | 100 | 102¼ | +1 | 11.22 |
| Citicorp 11¾ 87 | 200 | 100¼ | 0 | 11.71 |
| Citicorp O/S 14 94 | 100 | 103⅝ | +0½ | 12.34 |
| CNCA 11⅛ 92 | 125 | 102⅞ | +1¼ | 10.87 |
| CNCA 13⅛ 91 | 100 | 108½ | +1¼ | 11.00 |
| Coastfed Int 12¾ 88 | 125 | 103⅜ | +0⅜ | 10.89 |
| Coca-Cola 11⅛ 88 | 100 | 104⅝ | +0¾ | 9.79 |
| Comp Bancaire 13⅞ 92 | 75 | 110 | +0¾ | 11.18 |
| Comsat 12⅜ 91 | 100 | 100⅜ | 0 | 12.06 |
| Creditanstalt 13⅛ 91 | 100 | 107 | 0 | 11.44 |
| Daiichi Kangyo 12¾ 92 | 100 | 105⅛ | +0½ | 10.90 |
| Denmark 10⅞ 90 | 100 | 99 | +0⅜ | 11.13 |
| Denmark 11¾ 92 | 100 | 101¾ | +1⅛ | 11.10 |
| Denmark 12¾ 92 | 250 | 101⅛ | −0⅜ | 12.40 |
| Denmark 13 92 | 100 | 103⅜ | 0 | 12.22 |
| Denmark 13½ 91 | 100 | 108⅛ | +1 | 11.13 |
| Denmark 13⅞ 88 | 100 | 108⅛ | +0⅞ | 10.52 |
| Denmark 14 91 | 100 | 109½ | +0⅜ | 11.72 |
| Digital Equip 11⅝ 88 | 150 | 104⅛ | +0½ | 10.27 |
| Dutch St Mines 11¾ 91 | 150 | 100½ | +0¾ | 11.17 |
| Eksportfinans 11⅛ 92 | 100 | 101⅞ | +1⅛ | 10.83 |
| Eksportfinans 11⅛ 90 | 100 | 103⅛ | +0⅞ | 10.88 |
| Elec de France 11¾ 99 | 100 | 102½ | +2¼ | 10.83 |
| Elec de France 12¾ 87 | 150 | 105¾ | +0⅞ | 9.94 |
| EEC 11 87 | 350 | 102½ | +0⅝ | 8.61 |
| EEC 11⅛ 90 | 100 | 102½ | +1 | 10.39 |
| EEC 12 93 | 100 | 106⅞ | +1⅛ | 10.89 |
| Elf-Aquitaine 10¾ 88 | 100 | 98½ | +0¼ | 10.89 |
| Ericsson L M 10⅜ 88 | 100 | 100½ | +0½ | 10.10 |
| Euro Inv Bk 11⅛ 90 | 200 | 104 | +0¾ | 10.48 |
| Euro Inv Bk 11⅛ 91 | 73 | 100⅞ | +1⅛ | 11.43 |
| Euro Inv Bk 12½ 92 | 100 | 108⅞ | +1⅛ | 10.29 |
| EDC 9⅞ 88 | 200 | 100⅞ | +0¼ | 9.85 |
| EDC 10 88 | 125 | 100⅝ | +0½ | 9.81 |
| EDC 10⅜ 88 | 100 | 102⅞ | +0⅜ | 8.63 |
| EDC 11¾ 89 | 150 | 102⅝ | +0⅝ | 10.20 |
| EDC 12 88 | 100 | 106⅞ | +0⅜ | 10.24 |
| EDC 13⅛ 87 | 100 | 106½ | +0⅞ | 8.92 |
| Fed Dept Store 11 90 | 100 | 101¾ | +0⅞ | 10.47 |
| Finland 11½ 89 | 100 | 103⅛ | +0⅜ | 8.93 |
| Finland 12¾ 94 | 75 | 106 | +0⅞ | 11.10 |
| Finnish Export 12⅛ 87 | 75 | 105¼ | +0½ | 8.83 |
| Firstfed Mich 1 13⅝ 88 | 125 | 105⅛ | +0⅜ | 11.59 |
| Florida Fed 12⅝ 89 | 100 | 103⅜ | +0⅜ | 11.18 |
| FNMA 11⅞ 91 | 300 | 102⅞ | +0⅞ | 10.94 |
| Gen Elec Cred 8 96 | 600 | 32¾ | +0⅞ | 10.72 |
| Gen Elec Cred 9¾ 91 | 100 | 97¾ | +0½ | 10.36 |
| Gen Elec Cred 10⅞ 00 | 200 | 99⅝ | +1 | 10.41 |
| Gen Elec Cred 11 91 | 200 | 103⅜ | +0¼ | 10.17 |
| Gen Elec Cred 11¾ 87 | 200 | 103⅜ | +0⅞ | 11.02 |
| Gen Elec Cred 12 94 | 200 | 104½ | 0 | 11.18 |
| Gen Foods Cap 11⅛ 00 | 75 | 104⅝ | +0⅜ | 10.24 |
| General Mills 12 91 | 100 | 108 | 0 | 11.29 |
| GMAC 10 89 | 200 | 99⅞ | +0¾ | 10.12 |
| Gen Motors Acc 10½ 90 | 200 | 101⅞ | +0⅞ | 9.96 |
| Gen Motors Ac 11⅛ 90 | 100 | 104½ | +0¾ | 10.21 |
| Gen Motors Ac 12¾ 88 | 200 | 100½ | 0 | 11.56 |
| Gen Motors Ac 13 99 | 200 | 102⅞ | −0⅜ | 10.02 |
| GTE Finance 12 96 | 75 | 101⅛ | +0⅝ | 11.76 |
| Gulf Oil 10⅝ 94 | 100 | 97⅜ | +1⅛ | 10.82 |
| Gulf Oil 12⅛ 87 | 100 | 102⅛ | +0⅞ | 11.09 |
| GZB 14 91 | 100 | 109⅜ | +0⅞ | 11.74 |
| Hall Air Fin 12¾ 91 | 100 | 102⅝ | −0⅞ | 11.66 |
| Household Fin 11⅛ 92 | 100 | 101⅞ | +0⅞ | 11.34 |
| IBM 9⅜ 89 | 200 | 98⅝ | +0¾ | 9.91 |
| IBM (WTC) 10⅝ 89 | 300 | 100⅞ | +0¾ | 10.04 |
| IBM Credit 11 89 | 100 | 104⅝ | +0½ | 8.75 |
| IBM Credit 13⅞ 87 | 100 | 103 | −0⅞ | 12.89 |
| IBM 12⅜ 92 | 200 | 108⅜ | +1 | 10.46 |
| Ind Bk Japan 10¾ 92 | 100 | 100½ | +1⅛ | 10.61 |
| Ind Bk Japan 10⅝ 95 | 100 | 100½ | +2 | 10.72 |
| Ind Bk Japan 11⅛ 88 | 125 | 103½ | +0⅞ | 10.29 |
| Ind Bk Japan 11⅞ 91 | 100 | 105⅛ | +1⅛ | 10.57 |
| Ind Bk Japan 13⅞ 91 | 125 | 112⅞ | −0⅜ | 10.86 |
| Int-Amer Dev 12¾ 91 | 150 | 107⅞ | +0¾ | 11.08 |
| Int-Amer Dev 11¾ 94 | 200 | 104⅞ | +0⅞ | 11.08 |
| Int Paper 12 91 | 75 | 103⅜ | 0 | 11.07 |
| Int Stand Elec 97 | 112 | 24⅝ | +1 | 12.62 |
| Int Stand Elec 12 99 | 75 | 100⅞ | +0¾ | 11.79 |
| ITT 11⅛ 89 | 125 | 104⅛ | +0⅞ | 10.20 |
| ITT 12⅜ 94 | 100 | 105 | 0 | 11.45 |
| Japan Airlines 12½ 94 | 75 | 110⅞ | −0⅜ | 10.67 |
| Japan Dev Bk 11⅞ 91 | 100 | 100⅜ | 0 | 10.88 |
| Kellogg Co 10⅝ 92 | 100 | 102 | +0⅜ | 10.27 |
| Kellogg Co 11⅛ 92 | 100 | 103¾ | +0⅜ | 10.49 |
| Kimberly-Clark 12 94 | 100 | 105½ | +1⅛ | 11.01 |
| Kyowa Fin NK 12⅞ 90 | 100 | 106⅞ | +0¾ | 11.06 |
| Long Term Cred 10¾ 90 | 100 | 100⅜ | +0⅞ | 10.65 |
| Long Term Cred 11 92 | 100 | 101⅜ | +0⅝ | 10.49 |
| Long Term Cred 11⅞ 89 | 100 | 104⅞ | +0⅜ | 10.49 |
| Long Term Cred 12 90 | 75 | 105⅝ | +1⅛ | 10.58 |
| Long Term Cred 12 93 | 100 | 100⅜ | +1 | 10.98 |
| Macy R H 11¾ 91 | 100 | 104⅞ | +1⅛ | 10.56 |
| Macy R H 11¾ 90 | 100 | 104⅝ | +1⅛ | 10.99 |
| Marubeni 11⅛ 91 | 100 | 100 | 0 | 11.34 |
| McDonalds Fin 11⅛ 94 | 75 | 102½ | +0⅞ | 11.19 |
| Merrill Lynch 12½ 94 | 100 | 102⅞ | −0⅜ | 12.04 |
| Minebea 6⅞ 89 | 100 | 117⅞ | +0⅞ | 1.36 |
| Mitsubishi 5⅞ 88 | 100 | 110 | +10 | 2.69 |
| Mitsubishi Co 10⅜ 92 | 100 | 95½ | +0¾ | 11.47 |
| Mitsubishi Co 10⅝ 95 | 200 | 97½ | +1⅛ | 11.04 |
| Mitsubishi Co 12½ 91 | 100 | 108⅞ | +0⅞ | 10.41 |
| Mitsui Eng 7¾ 88 | 50 | 101 | +1⅛ | 6.89 |
| Mitsui Fin 12¾ 92 | 100 | 100⅜ | 0 | 12.06 |
| Mitsui Tst Fin 12 91 | 100 | 104 | +0⅝ | 10.98 |
| Mobil Corp 10⅜ 90 | 200 | 99½ | +1 | 10.58 |
| Montreal City 12¾ 91 | 10 | 107⅞ | +2⅛ | 10.71 |
| Mgn Guarant y12⅛ 89 | 150 | 105⅞ | +0⅞ | 10.40 |
| Morgan J P 11⅛ 92 | 100 | 101⅞ | +0¾ | 10.89 |
| Mount Isa Fin 13⅝ 87 | 100 | 106⅝ | +0¾ | 10.03 |
| Ned Gasunie 11⅞ 90 | 75 | 103⅜ | +0⅜ | 10.40 |
| Ned Gasunie 11⅞ 91 | 75 | 102⅝ | +0⅜ | 10.66 |
| N Engl Lf Mtg 11⅛ 95 | 149 | 104⅜ | +0⅞ | 10.91 |
| Newfoundland 13 91 | 75 | 108⅛ | +1½ | 11.32 |
| Nippon Crd Sk 13⅜ 89 | 100 | 108½ | 0 | 10.86 |
| Nippon Tel Tel 11⅛ 90 | 100 | 104⅞ | +0¾ | 10.10 |
| Nippon Tel Tel 13 13/16 94 | 150 | 112⅞ | 0 | 10.82 |
| Nissho-Iwai 6⅞ 89 | 75 | 95½ | +1⅛ | 7.94 |
| Nomura 6⅞ 89 | 100 | 147⅜ | +4¾ | −9.78 |
| Nova Scotia 11⅜ 91 | 100 | 102½ | −1⅛ | 11.10 |
| Nova Scotia 11⅜ 86 | 100 | 106⅝ | +1⅛ | 10.71 |
| Oester Post 12¾ 90 | 75 | 104⅜ | +0⅜ | 10.57 |
| Ohbayashi-Gumi 7⅜ 89 | 50 | 123 | −1⅛ | 1.57 |
| Ontario Hydro 11⅛ 94 | 200 | 100⅜ | +1⅛ | 10.49 |
| Ontario Hydro 11⅛ 92 | 200 | 105⅝ | +0⅞ | 10.11 |
| Ontario 12½ 94 | 200 | 110 | +0½ | 11.00 |
| Pacific Gas & El 12 00 | 75 | 103⅜ | +0⅜ | 11.81 |
| Penney J C 11⅞ 90 | 100 | 104⅜ | +1 | 10.63 |
| Penney J C 12⅜ 91 | 100 | 107⅜ | +1⅛ | 10.65 |
| Phillips Petrol 14 89 | 200 | 103⅞ | +0⅞ | 12.66 |
| Postipankki 11⅛ 90 | 75 | 100½ | +0⅞ | 10.96 |
| Post-Och Kred 13½ 87 | 50 | 105⅜ | +0⅞ | 10.58 |
| Privatbanken 12¾ 95 | 100 | 89 | 0 | 12.91 |
| Prudential Ins 12⅜ 87 | 180 | 106⅞ | +0¾ | 9.79 |
| Pru Rlty Secs 96 00 | 365 | 24 | +0⅝ | 11.04 |
| Pru Rlty Secs 11⅛ 92 | 395 | 104⅝ | +0⅞ | 10.88 |
| Pru Rlty Secs 12⅜ 95 | 546 | 107 | +1⅛ | 10.92 |
| Quebec Prov 12⅜ 94 | 100 | 107 | +1⅞ | 10.86 |
| Queensland Gst 11⅛ 89 | 100 | 103½ | +0⅜ | 10.44 |
| RBC 12¾ 00 | 100 | 100⅞ | −3⅛ | 12.44 |
| Daiwa Bk Aust 12 91 | 50 | 101⅛ | +0⅞ | 11.88 |
| Banwa Bk 11⅛ 92 | 150 | 103⅜ | +1⅛ | 11.03 |
| Saskatchewan 10⅜ 92 | 100 | 100½ | +1⅛ | 10.66 |
| Saskatchewan 10⅜ 00 | 125 | 102⅜ | +1 | 9.98 |
| Saskatchewan 11⅞ 89 | 100 | 100⅜ | +0⅞ | 10.30 |
| Saskatchewan 15 92 | 150 | 119⅜ | +0⅞ | 10.97 |
| Saskatchewan 10 89 | 125 | 116⅜ | +0⅜ | 10.39 |
| Scot Int Fin 14¾ 96 | 80 | 115 | +5½ | 11.75 |
| Sears O/S Fin 98 | 600 | 24⅝ | +0⅜ | 11.41 |
| Sears Roebuck 10½ 91 | 150 | 99⅜ | +0⅞ | 10.87 |
| Sears Roebuck 11⅜ 91 | 150 | 106 | +0⅞ | 10.38 |
| Sec Pacific 12 92 | 100 | 104⅛ | +1 | 11.05 |
| Shearson/Amex 12½ 94 | 100 | 103⅛ | 0 | 11.48 |
| Shell (Canada) 14⅜ 92 | 125 | 112⅜ | +1⅛ | 11.70 |
| Signal Comps 11¾ 92 | 125 | 102⅝ | +0¾ | 11.20 |
| Standard Oil 10½ 89 | 150 | 100⅜ | +1⅛ | 10.20 |
| Statoil 12 88 | 100 | 104⅞ | 0 | 8.94 |
| Sumitomo Corp 10⅜ 92 | 100 | 99⅜ | +0⅞ | 10.79 |
| Sumitomo Fin 11¾ 92 | 150 | 103⅜ | +0¾ | 11.06 |
| Sumitomo Fin 12⅜ 91 | 150 | 107⅞ | +0⅜ | 10.98 |
| Sumitomo Trust 12½ 92 | 100 | 104½ | 0 | 11.47 |
| Sweden 11⅛ 89 | 200 | 103⅜ | +0⅝ | 10.42 |
| Sweden 12⅜ 89 | 200 | 106⅜ | +0⅜ | 10.29 |
| Swedish Export 10¾ 94 | 100 | 101 | +0⅞ | 10.56 |
| Swedish Export 11⅛ 89 | 100 | 102⅞ | +0⅜ | 10.47 |
| Swedish Export 2⅜ 89 | 100 | 104⅞ | 0 | 11.23 |
| Taiyo Kobe 11⅞ 90 | 100 | 103⅜ | +0½ | 11.00 |
| Taiyo Kobe 12 92 | 100 | 104⅝ | −0⅜ | 10.83 |
| Tenneco Intl 11⅛ 89 | 150 | 103⅝ | +0¾ | 10.21 |
| Texaco Capital 10⅞ 90 | 200 | 98⅜ | +1⅛ | 10.53 |
| Texaco Capital 10½ 93 | 200 | 100⅛ | +0⅜ | 10.46 |
| Texaco Capital 13½ 89 | 200 | 100⅜ | +0⅞ | 10.86 |
| Texas Instru 11⅞ 91 | 150 | 103⅞ | +0¾ | 10.91 |
| Tokai Asia 12¾ 91 | 100 | 105 | +0½ | 10.98 |
| Tokyo Electric 6½ 89 | 70 | 91 | −0⅞ | 9.41 |
| Tokyo Electric 13⅜ 88 | 100 | 106⅛ | +0⅝ | 10.82 |
| Toray Inds 11⅛ 92 | 50 | 100 | +2 | 11.10 |
| Toronto-Dom 12¾ 99 | 50 | 105 | +0⅞ | 10.96 |
| UBS 12¾ 91 | 100 | 103⅜ | +0½ | 11.47 |
| Utd Tech 11⅛ 92 | 150 | 102⅞ | +1⅛ | 10.60 |
| Veba 8 93 | 10 | 117½ | +6⅛ | 5.38 |
| West LB 11⅞ 92 | 100 | 103⅜ | +1½ | 10.93 |
| Westpac 12¾ 92 | 100 | 104 | 0 | 11.69 |
| Weyerhaeuser 11¾ 92 | 60 | 102⅞ | +0⅞ | 10.89 |
| World Bank 11 92 | 300 | 101⅛ | +0⅜ | 10.68 |
| World Bank 11¾ 92 | 200 | 102⅞ | +0⅞ | 10.49 |
| World Bank 11⅛ 89 | 200 | 103⅛ | +0¾ | 10.10 |
| World Bank 12 93 | 200 | 106⅜ | +1⅛ | 10.71 |
| World Bank 12¾ 94 | 150 | 107¾ | +1 | 10.95 |
| World Bank 12⅜ 94 | 200 | 111⅜ | +1⅞ | 10.87 |
| Yasuda Trust 12¾ 89 | 100 | 104⅞ | +0⅞ | 10.74 |

| FLOATING RATE NOTES | Issued | Price | Chg. on week | C.cpn |
|---|---|---|---|---|
| African Dev Bk ⅛ 96 | 100 | 100 | 0 | 9 7/16 |
| Arab Bank Cpn ⅛ 96 | 100 | 100 | 0 | 10 5/16 |
| Banca Lavoro ⅛ 91 | 100 | 100⅜ | +0⅛ | 8⅝ |
| Banco di Roma ⅛ 91 | 150 | 99⅞ | 0 | 9 11/16 |
| Bnca di Roma 3/16 92 CU | 75 | 99⅜ | 0 | 10 3/16 |
| Bankers Tr NY ⅛ 94 | 200 | 100⅜ | 0 | 9½ |
| Bank of Greece ⅛ 94 | 150 | 99 | +0½ | 9 5/16 |
| Bank Montreal ⅛ 94 £ | 100 | 100⅛ | +0¼ | 13⅜ |
| Bqe Nat Paris ⅛ 88 | 400 | 101⅛ | +0⅞ | 10⅝ |
| Bqe Nat Paris ⅛ 88 | 250 | 100⅛ | 0 | 8 15/16 |
| Bqe Nat Paris ⅛ 96 | 250 | 100⅛ | 0 | 9¼ |
| Barclays O/S ⅛* | 600 | 100⅛ | +0⅛ | 9¼ |
| BBL ⅛ 95 | 100 | 100⅛ | 0 | 9⅞ |
| BBL ⅛ 89 | 100 | 100½ | 0 | 9⅝ |
| BCI ⅛ 96 | 300 | 100⅛ | 0 | 9⅞ |
| BFCE ⅛ 87 | 400 | 100¼ | 0 | 9 15/16 |
| BFCE ⅛ 88 | 500 | 100⅛ | 0 | 9¼ |
| BFCE ⅛ 89 | 600 | 100½ | 0 | 10 3/16 |
| Belgium 1/16 04 | 400 | 100⅛ | 0 | 9⅜ |
| CCCE ⅛ 06 | 200 | 98⅞ | 0 | 8⅞ |
| CEPME ⅛ 96 £ | 100 | 100⅛ | +0⅛ | 13⅞ |
| Chase Manhattan ⅛ 09 | 400 | 98⅞ | 0 | 9 11/16 |
| Chemical NY 3/16 99 | 300 | 101⅛ | 0 | 8½ |
| Citicorp O/S ⅛ 91 £ | 100 | 99¾ | −0⅛ | 12⅞ |
| Citicorp Pan Pss ⅛ 87 | 250 | 100 | +0⅛ | 8 11/16 |
| Commerzbank ⅛ 89 | 150 | 100⅛ | +0⅛ | 8⅝ |
| Creditanstalt 1/16 99 | 150 | 100½ | 0 | 9 5/16 |
| Credit Comm ⅛ 99 | 250 | 100½ | 0 | 9 11/16 |
| Credit Foncier ⅛ 00 £ | 100 | 100⅛ | 0 | 13½ |
| Cred Lyonnais ⅛ 99 | 300 | 100½ | −0⅛ | 9⅞ |
| Cred Lyonnais ⅛ 99 | 250 | 100⅛ | 0 | 13⅞ |
| Credit National ⅛ 96 £ | 100 | 100⅛ | 0 | 13⅝ |
| Dai-Ichi Kangyo ⅛ 96 | 150 | 100⅛ | +0⅛ | 9 11/16 |
| Denmark ⅛ 90 | 250 | 100⅛ | 0 | 9 7/16 |
| Denmark 0 89 | 200 | 99⅜ | 0 | 9⅝ |
| Denmark 1/16 92 | 500 | 100⅛ | +0⅛ | 8⅞ |
| EEC ⅛ 92 | 2bn | 100⅛ | 0 | 9⅝ |
| Eldorado Nuke 0 99 | 100 | 100⅛ | 0 | 9 3/16 |
| Elec de France ⅛ 95 | 300 | 100⅛ | 0 | 9½ |
| Elec de France ⅛ 99 | 400 | 100⅛ | +0⅛ | 10 |
| ENEL ⅛ 88 £ | 100 | 100⅛ | 0 | 13 11/16 |
| Exterior Intl ⅛ 96 | 125 | 99⅜ | 0 | 9 5/16 |
| Ferro del Stat ⅛ 99 | 250 | 100½ | +0⅛ | 10 5/16 |
| Fiat Finance ⅛ 94 | 100 | 99⅜ | +0⅛ | 9⅞ |
| First Chicago ⅛ 94 | 100 | 100⅛ | 0 | 9 5/16 |
| First Chicago 3/16 97 | 150 | 100 | 0 | 8 11/16 |
| Ford Motor Cr ⅛ 91 | 200 | 100 | 0 | 9 11/16 |
| GW O/S Fin ⅛ 94 | 100 | 99½ | 0 | 10⅛ |
| Grindlays ⅛ 94 | 100 | 100⅛ | 0 | 8⅞ |
| INI 3/16 00 | 150 | 100⅛ | 0 | 9 11/16 |
| Interfirst Tex ⅛ 99 | 100 | 97⅜ | 0 | 8⅝ |
| Ireland ⅛ 93 £ | 50 | 100⅛ | −0⅛ | 12 13/16 |
| Ireland 3/16 94 | 300 | 100⅛ | 0 | 9½ |
| Ireland ⅛ 90 £ | 100 | 99⅞ | −0⅛ | 14⅜ |
| Ireland ⅛ 87 | 300 | 100⅛ | 0 | 10 3/16 |
| Italy ⅛ 94 | 1bn | 100 | −0⅛ | 8⅞ |
| Italy ⅛ 94 | 1bn | 100⅛ | 0 | 10 3/16 |
| Kleinwort Benson ⅛ 96 | 100 | 100⅛ | 0 | 10⅛ |
| Korea Exch Bk ⅛ 94 £ | 100 | 100½ | +0⅛ | 12 13/16 |
| Lincoln S & L ⅛ 89 | 100 | 100 | 0 | 9 11/16 |
| Malaysia ⅛ 93 | 850 | 100⅛ | 0 | 9 5/16 |
| Malaysia ⅛ 09 | 600 | 99⅜ | −0⅛ | 9 11/16 |
| Man Hanover ⅛ 94 £ | 75 | 99½ | +0½ | 12⅜ |
| Marine Midland ⅛ 94 | 125 | 100⅛ | +0¼ | 9⅜ |
| Marine Midland ⅛ 96 | 125 | 100½ | 0 | 8⅝ |
| Marine Midland 3/16 09 | 150 | 100½ | +0⅛ | 8⅝ |
| Mellon Bank ⅛ 90 | 250 | 100½ | 0 | 8 |
| Midland Intl ⅛ 99 | 200 | 100⅛ | 0 | 10 7/16 |
| Mitsui Fin ⅛ 96 | 100 | 100⅛ | +0⅛ | 10⅛ |
| Morgan Grenfell ⅛ 94 | 00 | 99⅜ | −0⅛ | 0 |
| Mtg Intermed ⅛ 10 £ | 50 | 100 | 0 | 13 3/16 |
| Nat Bk Canada ⅛ 91 | 50 | 100 | 0 | 9⅝ |
| Nat Bk Detr ⅛ 96 | 100 | 99⅜ | +0⅛ | 9½ |
| Nat West Fin ⅛* | 500 | 100⅛ | 0 | 9⅝ |
| Neste Oy ⅛ 94 | 100 | 100½ | 0 | 10 |
| New Zealand ⅛ 87 | 350 | 100½ | +0⅛ | 9⅜ |
| NZ Steel Corp ⅛ 92 | 300 | 100⅛ | 0 | 9½ |
| Oster Ln Bk ⅛ 99 | 100 | 100⅛ | −0⅛ | 8⅝ |
| Oko Bank ⅛ 92 | 50 | 99⅛ | 0 | 0⅞ |
| Portugal ⅛ 92 | 100 | 99⅞ | +0⅛ | 9⅞ |
| Quebec Hydro ⅛ 94 | 200 | 99⅜ | −0⅛ | 9 5/16 |
| Queensland Coal ⅛ 96 | 355 | 100½ | 0 | 9 |
| Renfe ⅛ 91 | 100 | 100½ | −0⅛ | 10 3/16 |
| Sanwa Intnl ⅛ 92 | 150 | 100 | 0 | 9 5/16 |
| SEAT ⅛ 93 | 100 | 100⅛ | 0 | 9 5/16 |
| Security Pacif 3/16 87 | 200 | 99⅞ | −0⅛ | 9 5/16 |
| Skopbank ⅛ 94 | 75 | 99½ | 0 | 9½ |
| SNCF ⅛ 93 £ | 75 | 100½ | 0 | 12⅞ |
| Soc Generale ⅛ 95 | 200 | 101⅛ | 0 | 10 7/16 |
| Soc Generale ⅛ 94 | 250 | 100⅜ | +0⅛ | 10⅜ |
| Spain ⅛ 93 | 200 | 100⅜ | 0 | 10 3/16 |
| Spain ⅛ 87 | 200 | 100½ | 0 | 10 |
| Standard Chart ⅛ 94 | 200 | 100⅜ | 0 | 9½ |
| Sumitomo Tst ⅛ 94 | 100 | 100⅛ | 0 | 9 5/16 |
| Sweden ⅛ 99 | 500 | 99⅜ | −0⅛ | 9½ |
| Sweden ⅛ 03 | 1bn | 100⅜ | 0 | 8⅜ |
| Sweden ⅛ 05 | 700 | 99⅜ | 0 | 9 7/16 |
| Sweden ⅛ 24 | 500 | 100⅛ | −0⅛ | 10⅛ |
| Sweden ⅛* | 750 | 100⅜ | 0 | 9 7/16 |
| Tokai Asia ⅛ 96 | 150 | 100⅛ | 0 | 9 15/16 |
| Toyo Trust Asia ⅛ 96 | 100 | 100⅛ | 0 | 9 11/16 |
| TVO Power ⅛ 04 | 100 | 99⅜ | 0 | 8⅝ |
| Union Bank-Norw ⅛ 99 | 50 | 99⅜ | −0⅛ | 9 11/16 |
| Wells Fargo 1/16 96 | 50 | 99½ | −0⅛ | 9 5/16 |
| World Bank 1/16 89 | 200 | 99⅞ | −0⅛ | 8⅞ |
| Yorkshire Int ⅛ 94 £ | 75 | 100 | 0 | 13⅛ |

| CONVERTIBLE BONDS | Issued | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Ajinomoto 3 89 | 125 | 95⅞ | +2⅛ | |
| Best Denki 6⅞ 97 | 15 | 150½ | +14¾ | 1.56 |
| Canon 7 97 | 90 | 198⅛ | −2⅞ | −0.38 |
| Daiwa Secs 5½ 88 | 60 | 175⅛ | +9⅞ | −1.33 |
| Dev Bank Sing 5½ 90 | 70 | 75 | 0 | 6.79 |
| Eldura 11⅛ 94 | 100 | 104⅞ | +0⅛ | 49.57 |
| Elektrowatt 9 98 | 52 | 89⅜ | +1⅛ | 12.39 |
| Fujitsu 3 99 | 150 | 86⅞ | −0⅞ | 5.66 |
| Inteo Ico 3 99 | 50 | 70⅜ | 0 | −2.43 |
| Kumagai Gumi 3½ 00 | 90 | 103⅞ | +3 | −2.88 |
| LASMO 9⅛ 99 | 45 | 96⅜ | −1 | −16.23 |
| Moet-Hennessy 7 99 | 50 | 105⅝ | +2⅛ | −0.14 |
| Murata Mfg 3½ 00 | 100 | 104 | −3 | 6.60 |
| Nippon Oil 3⅛ 99 | 50 | 85⅝ | −1 | 6.72 |
| Ono Pharm 3⅛ 99 | 50 | 100½ | −2⅛ | 19.41 |
| Soc Gen Surv 4½ 94 | E1 | 99 | +1⅛ | 137.40 |
| Sumitomo Corp 2⅞ 99 | 75 | 106⅜ | +4⅛ | −1.62 |
| Texaco Capital 11⅛ 94 | 1bn | 105⅛ | 0 | 45.34 |
| Texaco Capital 11¾ 94 | 500 | 106⅜ | −0⅜ | 46.38 |
| Tsugami Corp 3⅛ 00 | 20 | 81 | +3 | −65.29 |
| Yamaichi Sec 3⅛ 96 | 20 | 128 | +2½ | −6.06 |

| YEN STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Asian Dev Bk 7⅜ 94 | 15 | 101⅛ | +0½ | 7.17 |
| Avon Products 6⅜ 91 | 25 | 97⅜ | +0⅜ | 7.27 |
| Denmark 6⅜ 92 | 20 | 97⅜ | +0⅜ | 7.18 |
| Dow Chemical 7 94 | 50 | 96⅜ | 0 | 7.63 |
| Eurofima 7⅜ 94 | 10 | 101⅛ | +0⅜ | 7.11 |
| Eurofima 6⅞ 92 | 50 | 97⅞ | +0½ | 7.16 |
| FNMA 6⅞ 92 | 60 | 98⅜ | +0⅞ | 7.22 |
| GMAC 6½ 90 | 25 | 98⅜ | +0⅝ | 8.84 |
| Intel 6⅞ 92 | 13 | 96⅜ | +0⅝ | 7.27 |
| IADB 7½ 94 | 15 | 101⅛ | +0⅞ | 7.26 |
| IADB 7⅜ 93 | 15 | 102½ | +0⅝ | 7.46 |
| ITT 6⅜ 92 | 20 | 97 | +0⅝ | 7.32 |
| McDonald Corp 6½ 92 | 25 | 98⅛ | +0¼ | 6.86 |
| New Zealand 7⅛ 90 | 15 | 100⅛ | +0⅞ | 7.00 |
| New Zealand 7⅜ 99 | 15 | 102⅜ | −0⅜ | 6.99 |
| Pacific Gas & Elec 7 94 | 20 | 99⅜ | +0⅞ | 7.19 |
| Penney J. C. 6⅜ 92 | 25 | 97⅞ | +0¼ | 7.26 |
| Proctor 6⅜ 92 | 25 | 98½ | +0⅛ | 6.90 |
| Sallie Mae 6⅜ 92 | 25 | 97⅜ | +2⅜ | 7.15 |
| TRW 7 94 | 15 | 98½ | 0 | 7.21 |
| Utd Technology 6⅜ 92 | 25 | 97⅜ | +0⅝ | 7.05 |
| World Bank 7 94 | 20 | 99⅜ | +1 | 7.13 |
| World Bank 7⅜ 93 | 20 | 102 | −0⅞ | 7.29 |
| World Bank 8 93 | 20 | 104⅛ | 0 | 7.23 |

| LUXFR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ASEA 9⅜ 88 | 600 | 102⅜ | +1⅛ | 9.06 |
| Eurofima 10 94 | 600 | 102⅛ | +1 | 9.51 |
| E Coal & Steel 10½ 94 | 1bn | 104⅞ | +0⅝ | 8.48 |
| Euro Invest Bk 10½ 94 | 1bn | 106⅛ | +0⅞ | 9.35 |
| World Bank 10⅞ 89 | 1bn | 105⅜ | 0 | 8.50 |

| GUILDER STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 8 89 | 200 | 103⅛ | +0⅛ | 6.93 |
| ABN 7⅜ 88 | 150 | 101⅞ | +0⅜ | 7.22 |
| Amro Bk 7⅜ 88 | 150 | 101 | +3⅜ | 8.97 |
| Amro Bk 8 88 | 200 | 103⅜ | +0⅞ | 6.87 |
| Bk Mees & Hope 8⅜ 88 | 100 | 103 | +0½ | 7.29 |
| Beatrice Foods 8⅜ 88 | 100 | 103⅛ | 0 | 7.19 |
| C. C. Rabo 8 89 | 150 | 103⅜ | +0⅛ | 8.87 |
| Denmark 8⅛ 91 | 100 | 103½ | +0⅞ | 7.74 |
| Int Stand Elec 8½ 88 | 100 | 106⅜ | −0⅛ | 7.33 |
| New Zealand 8⅜ 99 | 100 | 103⅜ | +0⅝ | 7.19 |

| CANADIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Amex 12⅜ 91 | 50 | 106⅛ | +0¼ | 10.86 |
| Aust Resources 11⅜ 92 | 50 | 99⅜ | +0⅞ | 11.74 |
| Bank of Tokyo 10⅞ 92 | 75 | 97½ | +2½ | 11.40 |
| Bqe l'Indosuez 14 91 | 75 | 107 | +0¾ | 12.29 |
| Br Col Munic 12⅜ 91 | 100 | 106½ | +0¼ | 10.99 |
| Br Col Munic 13½ 91 | 100 | 108 | +0⅛ | 11.58 |
| Br Col Tele 12¼ 89 | 75 | 103⅞ | +0½ | 11.65 |
| Denmark 11⅛ 91 | 100 | 98⅜ | +0¼ | 11.78 |
| Farm Cred Corp 12⅜ 90 | 75 | 105⅛ | +0½ | 10.90 |
| Kredietbank 12 92 | 75 | 100½ | 0 | 11.85 |
| Long Term Cred 11¾ 92 | 75 | 101¾ | +0¼ | 11.34 |
| Montreal City 12⅜ 91 | 50 | 106⅛ | +0⅜ | 10.76 |
| New Brunswick 12 96 | 75 | 104 | +0¾ | 11.27 |
| Nova Scotia 11⅛ 96 | 100 | 99½ | +1½ | 11.09 |
| Quebec Hydro 14 91 | 75 | 108⅛ | +1⅛ | 12.08 |

| ECU STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| ABN 9½ 92 | 100 | 103 | −0⅛ | 8.97 |
| Australia & NZ 10⅜ 91 | 50 | 104½ | +0⅜ | 9.89 |
| Austria 10⅞ 93 | 100 | 107 | +0⅞ | 9.28 |
| BFCE 9⅜ 92 | 75 | 102⅞ | +0½ | 9.19 |
| Cred National 10½ 94 | 50 | 106⅛ | 0 | 9.34 |
| Cred National 11⅛ 91 | 50 | 111⅛ | +1⅛ | 9.80 |
| Denmark 10⅜ 91 | 75 | 106⅞ | −0⅜ | 9.46 |
| Ebco Intnl 10⅛ 89 | 55 | 104⅜ | −0⅞ | 9.39 |
| EEC 10½ 91 | 50 | 105⅞ | +1⅛ | 8.25 |
| EEC 11 93 | 50 | 108⅛ | −0½ | 8.89 |
| EEC 11⅛ 91 | 60 | 106⅛ | 0 | 9.82 |
| EEC 11¾ 88 | 75 | 106 | −0½ | 10.13 |
| Euro Coal & Steel 8 94 | 00 | 112⅛ | +0⅜ | 9.63 |
| Euro Invest Bk 9⅜ 95 | 200 | 101⅛ | +0⅞ | 9.02 |
| Euro Invest Bk 10⅞ 94 | 100 | 100½ | −0⅛ | 9.05 |
| Euro Invest Bk 10½ 89 | 50 | 107⅛ | 0 | 9.14 |
| Euro Invest Bk 10⅞ 94 | 100 | 106⅛ | +0⅞ | 9.55 |
| Euro Invest Bk 11⅛ 92 | 75 | 106 | +06 | 0.90 |
| Euro Invest Bk 11⅛ 93 | 50 | 106⅜ | +0⅞ | 9.95 |
| Euro Invest Bk 11¾ 96 | 50 | 107⅜ | +0⅜ | 10.02 |
| Gen Finance 11 92 | 75 | 106⅛ | +0⅞ | 9.34 |
| Giro Vienna 10½ 93 | 60 | 105⅛ | 0 | 9.55 |
| GTE Finance 10⅛ 92 | 50 | 106½ | 0 | 9.14 |
| Ireland 10⅞ 96 | 50 | 103½ | +0¾ | 9.66 |
| Italian Govt 10⅞ 92 | 600 | 104 | +0⅞ | 9.10 |
| Italian Treas 11⅛ 00 | 50 | 105 | +0⅞ | 10.21 |
| Kredietbank L 9⅜ 92 | 75 | 99⅜ | +0⅛ | 9.43 |
| Megal Finance 11¾ 94 | 100 | 105½ | −0⅞ | 10.27 |
| Nippon Cred Bk 11 91 | 50 | 106⅛ | +0⅞ | 9.48 |
| Nordic Inv 6 94 | 50 | 110⅛ | 0 | 9.77 |
| Post Och Kred 10⅞ 92 | 50 | 103⅜ | +0¾ | 10.07 |
| Royal Bk Can 10½ 89 | 85 | 107 | 0 | 0.27 |
| SNCI 10⅞ 94 | 60 | 108½ | +1⅛ | 9.42 |
| Swedish Export 11 89 | 58 | 103⅛ | 0 | 9.94 |
| West LB 10⅞ 91 | 50 | 106⅞ | 0 | 9.23 |
| World Bank 10¾ 89 | 100 | 106⅞ | −0⅛ | 8.24 |

| AUSTRALIAN DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Nat Aust Bk 12½ 88 | 40 | 97⅞ | 0 | 13.38 |
| PIBA 12⅜ 89 | 50 | 98 | +0⅜ | 13.03 |
| State Bk NSW 12⅜ 89 | 40 | 97⅞ | +0½ | 12.55 |

| STERLING STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| BAT Intnl 10⅜ 91 | 100 | 99⅜ | 0 | 10.77 |
| Denmark 10⅜ 89 | 75 | 97⅞ | +0⅞ | 11.52 |
| EEC 11¾ 94 | 50 | 101 | −8½ | 11.16 |
| Europarat 11⅛ 92 | 50 | 100 | +0⅜ | 11.35 |
| Euro Invest Bk 10⅜ 92 | 75 | 96 | +0⅜ | 11.16 |
| Finland 11⅞ 89 | 50 | 102½ | −0⅛ | 11.02 |
| Grand Met 10⅞ 90 | 50 | 97⅛ | 0 | 11.55 |
| IADB 11¾ 91 | 60 | 99⅞ | +0⅝ | 11.38 |
| Int Stand Elec 11¾ 90 | 50 | 100⅞ | +0¾ | 10.77 |
| Inv In Indust 11⅛ 91 | 50 | 101⅛ | 0 | 11.05 |
| Ireland 11¾ 94 | 50 | 98⅜ | +0⅜ | 11.67 |
| New Zealand 10⅞ 89 | 100 | 97½ | +0⅞ | 11.44 |
| SNCF 11¾ 94 | 00 | 99⅜ | +0⅞ | 11.35 |
| World Bank 10⅞ 89 | 50 | 98⅜ | +0⅞ | 11.02 |
| World Bank 10⅞ 89 | 50 | 99⅜ | +0⅞ | 10.80 |
| World Bank 11 94 | 50 | 98⅜ | +0⅜ | 11.28 |

| EQUITY WARRANTS | Expiry date | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| Commerzbank DM | 31/5/88 | 43 | 0 | 7.00 |
| Ciba-Geigy Int £ | 1/11/93 | 201½ | +1 | 160.29 |
| Credit Suisse | 31/5/88 | 20⅜ | 0 | 2.17 |
| Deutsche Bank DM | 18/6/91 | 154 | 0 | −12.83 |
| ICI Finance | 1/8/90 | 375 | +29½ | 233.49 |
| IC Industries | 15/6/88 | 10⅞ | −2 | −14.44 |
| Jusco | 22/12/88 | 71⅜ | +7⅛ | 29.78 |
| Minebea Co | 20/2/89 | 34 | −0⅜ | 65.99 |
| Mitsubishi Cp | 7/11/88 | 24⅜ | +7⅜ | 8.97 |
| Mitsui | 10/12/87 | 22⅜ | +2 | 5.28 |
| Nissho Iwai | 1/2/89 | 10½ | +2⅜ | 23.59 |
| Nomura Sec | 31/10/88 | 61⅜ | +5⅜ | 6.01 |
| Otemanu Wstm DM | 31/5/90 | 239 | 0 | −13.90 |
| Swiss Bk Cpn | 20/12/88 | 37⅜ | −0⅞ | 7.38 |
| Toray Ind | 5/3/87 | 11⅛ | +0⅜ | 8.97 |
| Veba Intnl | 15/12/93 | 57½ | 0 | 35.12 |

| BOND WARRANTS | Expiry date | Price | Chg. on week | Ex. yield |
|---|---|---|---|---|
| Aegon Ins 11¾ 91 | 14/2/88 | 12⅞ | −9⅜ | 6.66 |
| Coca-Cola 11¾ 91 | 28/11/88 | 32 | −4 | 4.83 |
| Commerzbk 11⅛ 89 | 17/7/88 | 46 | −31⅛ | 0.63 |
| Du Pont 13⅜ 89 | 26/8/86 | 40 | −22 | 1.99 |
| Ekspfinas 13⅜ 89 | 15/9/87 | 43 | −35½ | 1.08 |
| Gen Elec 12⅜ 91 | 7/8/87 | 30 | −25⅜ | 6.71 |
| IBM Credit 13 87 | 19/8/85 | 37 | −21⅜ | −4.29 |
| Inv In Inds 10⅜ 91 | 1/12/88 | 67½ | 0 | 0.63 |
| McDnldu P 11⅜ 94 | 6/1/89 | 15 | −10⅜ | 6.12 |
| Oester Lnbk 13½ 89 | 9/6/87 | 33 | −32⅜ | 3.35 |
| Texaco Cap 12⅞ 92 | 1/9/87 | 32 | −19 | 6.30 |
| Xerox 13⅜ 87 | 15/8/86 | 25 | −27⅛ | −0.10 |

STRAIGHT BONDS: Yield to redemption at the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
* Perpetual.

Closing prices on May 31.

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

"You seem to have made a hit with our new strain of forget-me-not"

## Customers need cultivating

**Jane Rippeteau on a horticultural renaissance**

IT'S AN old business basic. Companies of all sizes are lamenting their tendency to forget it. It is the importance of courting the customer, and for a tiny entrepreneurial company in Somerset, it has made a thousand flowers bloom.

It all began a quarter of a century ago when a director of the old family-run brewer Arthur Guinness and Sons decided he wanted to propagate orchids. This indulgence, which called for pioneering work in an accelerated form of propagation called plant tissue culture, did help drop the price of the flower. But the researchers working out of a make-shift laboratory in two bedrooms busied themselves mostly with detailed research on a staggering assortment of plants.

The operation was unfocused and Ernest Saunders, the outsider brought in to get Guinness back to basics in 1982, would have none of it. The plant patch was pruned.

Yet today, snapped up by an American venture capitalist, the company, Twyford Plant Laboratories in Baltonsborough, is a rising star in the promising world of test-tube horticulture, in which tissues from one plant can be used to produce thousands of disease-free clones in a fraction of the time that conventional propagation requires.

Newly-installed managers and top scientists, motivated by a 15 per cent share of the company's equity, homed in on Twyford's expertise in flowering plants. They put up a computer-run, state-of-the-art glasshouse, holding 4,000 plants for every square metre of its white metal trays, over the old Somerset orchid ground. They called upon NASA to supply sterile peat containers called plant plugs. And now they claim the largest share of flower plantlet sales in the Dutch-dominated European horticulture market. Sales have climbed six-fold to some 6m units called "propagules" last year.

"We're pushing it out as fast as we can," says managing director Jeff Hooper, hired away from Royal Dutch Shell's Nickerson Seeds subsidiary by the new owner John Hesse, chairman of Plant Resources Venture Fund. Adds Peter Bal, director of Bal and Borse, a top Dutch flower agent: "The market is enormous, and Twyford is making a business out of it."

The transformation may seem as magical as Twyford's proprietary propagation techniques. Instead, it was systematic. Hooper had a vast market—he estimates growers already spend $3bn annually for plantlets, most propagated conventionally—and he had a commercial technology. But he also had a yawning gap between the two. He began to close it.

Customers were more carefully identified, and potential new markets were identified. Scientists were sent out to meet customers directly, who in turn were invited around Twyford's operation. "The big danger of 30-odd scientists and a big pot of money is that they will go off on flights of fancy," says Hooper. The scientist "has to see the results of his science pushing into the marketplace."

Hooper also got R and D to focus on specific customer needs. One Dutch grower wanted a lily of a different colour. A team was dispatched to the site; it will try radiation techniques to get some of the red of a red lily into a pink lily, then rush home to launch rapid propagstion. Another customer lamented a Central American country's ban on dracaena exports. Twyford is working to replace the source. And all the customers wanted ever-faster delivery, sometimes down to the hour of the day tailored to huge flower auctions in the Netherlands.

Tissue culture, s well-known process, involves clipping growth tissue from the shoot tip of a desirable plant, sterilising it, and placing it in a gel of minerals and other nutrients to grow. More tips are clipped from the first clone, and additional ones are started. The increase in the multiplication rate is dramatic. As Peter Walker, assistant research director explains, a narcissus replicates naturally once in a year. By conventional propagation, called chipping, that can be boosted to 20 per year. But tissue culture can result in 20,000 clone flowers in a year. Tulips, currently a hot research target, could be provided in volume in about five years, instead of 20 to 30, making it much easier to cater to changing colour fashions, experts say. The replicate flowers will be disease-free, and sport all of the favoured characteristics of the original flower.

"The speed is tremendous," says Quirinus Buschman, co-director of Holland's Cor van Duyn Import and Export, one of the world's top breeders of popular alstroemeria flowers. "When you find a new variety, done! You send it up to Twyford. And you can have thousands of plants in a year or so. That makes you very competitive."

The process, from where to clip s particular plant to what to put in its gel to stimulate growth, is called a system and it varies with each plant. Competitors can differentiate themselves by the systems they develop. "It's a bit of a black art," says David Leathers, a director of Biotechnology Investments, the N. M. Rothschild and Sons venture capital unit and a Twyford investor.

Twyford believes it has a big edge tucked away in the dusty dozen file cabinets containing some 20 years of specialised plant research. So far, it has developed systems for about 160 plants, with many more, from tulips to asparagus and such plantation crops as date palms, in the works.

One of the most important breakthroughs came in response to customer difficulties in removing plantlets from the gel. The plants develop one root system in the gel, but a different one in the soil. When plantlets were delivered in their proprietary plastic-enclosed gel containers, growers had to handle the critical transition from gel to oil.

"Losses were running at between 25 and 45 per cent" of total plants delivered, says Twyford marketing director Andrew C. Brown. "Now Twyford takes the plants out of the gel, transplants them into the starile NASA peat plug, and ships them ready for planting into e glasshouse. "Losses now are below 10 per cent, and they are carried by Twyford, not the customer," says Brown. He believes the improvement is a key factor in expanding the customer base. It also made it possible for him to cull the product line, focusing exclusively on high-volume plants of which the company can sell at least 50,000 a year for at least 25p epiece. Orchids did not survive the cull.

Staying close to those customers will be a continuing challenge if Twyford realises its ambitions to grow to $30m in annual revenue, with worldwide presence, in five years. Working now two shifts seven days a week, Twyford expects to ship 8.3m units this year and reach 20m by 1990—in Europe alone.

It is keeping mum about margins, but hopes to be ready to go public in as soon as two or three years. Last month the company opened a plant in Santa Paula, California, and expects U.S. sales of 4m units by the end of 1986. It is banking on its speciality in cut flowers to help fend off U.S. competitors, many of them entrepreneurial start-ups pursuing biotechnology applications in a range of plant agriculture.

In all the excitement, Hooper seems less worried about competitors than his own management. "The real danger is in scaling up too quickly. What we are doing is bringing the benefits of plant breeding to the customers much more quickly. We have to earn our money out of the marketplace."

Financial strategy

## Upending some sacred cows

BY DAVID DAVIES

THE finance director's lot is a difficult one. On virtually all of the areas of important policy—dividends, gearing, acquisition strategy—he (or she) has traditionally to chose between two exactly contrary types of advice. On the one hand he has advice from the market professionals, full of wiles and wisdom, full of auctioneering insight and much-scarred hindsight. On the other hand, he has the siren-song of academic analysis, dry, theoretical, difficult to argue with but also difficult to believe.

Today that is no longer true. A tidal change is sweeping through the whole sphere of financial strategy. Based on empirical study rather than arcane mathematical analysis—on how things do happen, rather than how they should happen—a number of sacred cows are being upended.

Perhaps the most important of these sacred cows is dividend policy. Economic theory says that dividends are at best irrelevant, st worst, tax inefficient. Paying dividends leads the shareholder to incur an income tax liability at a typically high marginal rate. The market should reflect in the share price the retained funds of the business. This should mean a (low) capital gains tax liability rather than a (high) marginal income tax. Hence, if anything, dividend increases should lead to a reduction in the share price, and retentions should give an increase.

American research data* says the exact opposite. The experience in the U.S. markets indicates that each 1 per cent increase in yield leads to about 3 per cent abnormal increase in share price. Furthermore, because of market expectations of increasing yields, a frozen dividend on average causes a 2 per cent discounting of the share. So dividends, and in particular dividend increases, are good for the shareholders, even those paying the highest marginal rate of tax.

Why should this be so? The argument is quite straightforward. Dividends are news. Each time management increases the dividend it commits itself to meeting a cash flow demand, effectively in perpetuity. The management has made a forecast that is self-punishing if it is wrong. I have no data on the tenure of chief executives at the time of cuts in dividend, but I suspect that it is often short. It is dangerous to lie with dividends. For a shareholder, therefore, they are the best form of profit forecast.

The same is true of share repurchases. How many chairmen of companies have complained that their equity is "undervalued" on the stock exchange? The best proof of undervalued equity (nowadays) is for the company to buy its own shares. Again, American experience is that companies repurchasing their own shares enjoy a permanent capital gain. This is rational: who would know the real value of e company's shares better than its own management?

Again, the financial strategy of share purchase is a vehicle for news of the company's real prospects. The thinking behind the financial strategy of GEC is, as ever, impeccable.

### Different tax situation

For both of these strategies the corporate taxation situation is different in the UK from that in the U.S. This difference is not large enough, however, to over-ride the effects outlined above. Furthermore, the data is little more than academic support for what many of the wiser finance directors considered just common sense.

One particularly smart and straightforward finance director of my acquaintance recognised this without realising it, not long ago. When asked why his company had lost a takeover battle and been swallowed up by the predator, he said simply: "Our dividend policy was too mean." The dividends had not reflected the real prospects; the shares had, therefore, been under-valued, and the predator had had an unusually easy task.

There is some evidence that the same logic applies to financial gearing. Ten years ago the business schools were teaching that there was such a thing as an optimum gearing ratio, for any class of share. The optimum was judged on the basis of a trade-off between the tax advantage and the risk of a given level of debt, and was reflected in the share price. Today the argument is more cunning. Any increase in debt—like an increase in dividend—implies a commitment to a certain cash flow stream. Here the argument is a little more subtle, since the increase must be voluntary, and probably expansionary. A run to the bank to shore up an ailing company will have the opposite information effect from a deliberate decision aggressively to debt-financa a major expansion. The latter action can lead to a share price increase, even for an already aggressively geared company. This is entirely contrary to classical risk theory, of course.

The other area of financial policy — end indeed corporate strategy — where mathematics has previously prevailed over common sense is in acquisition strategy.

Much "diversification strategy" seems to be based upon a spurious mixture of abstruse and inappropriate mathematical theory, and a more comprehensible but equally reprehensible yearning for "greener grass." Wiser heads might advise against the risks of taking on new markets and new technologies with old skills, but this does not stop Britain having regular bouts of merger-mania.

Again, a little empirical analysis is enlightening. Studies of takeovers in the U.S., UK and Australia† threw up some interesting conclusions:

1—Overall, the financial performance of the joint companies (acquisitor company and acquired company together) was no better than the average of the companies apart.

2—The sole beneficiaries of the exercise were the shareholders of the acquired company who, on average, made a 35 per cent gain over their previous performance. Since there was no overall benefit generated, the source of this sdvantage was the shareholder group of the acquisitor company who, on sverage, lost between 6/7 per cent of their expected share value. (This loss is smaller than the gain of the acquired company simply because of the ratio of sizes between the companies involved in a typical takeover. Obviously, the bigger the acquired company is as a proportion of the acquisitor, the bigger the loss suffered by the ecquisitor shareholders.)

3—The causes of these losses to the shareholder are primarily the size of the premium paid and to a lesser extent, earnings per share.

4—These facts are particularly true of acquisitions in the UK and Australia, as against the U.S. The probable reason for this is the relative effectiveness of the Monopolies Commission in preventing takeovers within the same industry which, on average, are by far and away the most financially rewarding exercises.

5—Based upon e survey of s total of 486 takeover ettempts, the data is very clear-cut; acquisitor shareholders suffered losses in over 80 per cent of the "successful" takeovers.

The few successes that do arise tend to be very much

### 'Financial' takeovers

"financial" takeovers. Companies with very poorly utilised assets, soft management, very high discretionary costs, and e low P/E, scquired by a company with a high P/E, tend to give good returns. Hanson Trust's ectivities would be a good example of this. Outside this group, there are very few winners.

In all of this — dividends, share repurcbase, gearing takeover strategies—common sense is gaining ground over economic theory. Wisdom is winning. Market-insight is becoming respectable.

* *"The impact of initiating dividend payments on shareholders' wealth," by Paul Asquith and David Mullins, Journal of Business, Vol 56, No 1 (Jan 1983), pp 76-96.*

† *"Takeovers, shareholder returns, and the theory of the firm," by Michael Firth, The Quarterly Journal of Economics, March 1980, pp 235-258.*

*The author is a senior executive with Tate & Lyle, where he specialises in turnround and problem companies.*

# UK COMPANY NEWS

**Martin Dickson** looks at a leading British software company which plans a full listing next month

## CAP sets its sights on worldwide expansion

YOU HAVE to be a very self-confident software house to launch yourself on the London stock market at a time of City nervousness and disenchantment with the whole computer sector.

But that is exactly what CAP, one of Britain's top softwere companies, is planning to do next month, with a full listing that is likely to give it a market capitalisation of £30m to £40m.

Cash-flow problems at Sinclair Research and o plunge in profits at Micro Focus, the USM-quoted software house, are only the latest in a run of bad news from the computer industry that has soured general market sentiment.

However, the nature of CAP's business — fer removed from the troubled micro end of the market and cheap software products — should largely insulate it from this loss of confidence. "To compare CAP with the micro companies is just stupid" comments one City analyst. Nevertheless, tha company acknowledges that a further sharp deterioration in the mood of the markot could yet force a postponement of its plans.

CAP's main business is the provsion of "bespoke" software systems to many of Britain's leading companies and to tha Ministry of Defence. Examples of its work include the software for the Access credit card system, for a new Lloyds Bank foreign exchange dealing room system, for the A310 Airbus flight management system and for Royal Navy submarine eurveillance systems.

With 1,400 employees, 1983-84 profits of £1.32m on turnover of £26m, and a very blue chip client list, CAP is in the samo league as the two other independent British software companies that already have full Stock Market listings — Systems Designers International and Logica.

Its profile is somewhat different from these rivals. It is

**FIVE-YEAR RECORD**

| Year | Turnover (£000) | Pre-tax profit (£000) |
|---|---|---|
| 1984 | 26,289 | 1,322 |
| 1983 | 20,027 | 965 |
| 1982 | 14,043 | 531 |
| 1981 | 13,171 | 1,423 loss |
| 1980 | 13,042 | 689 |

less orientated to defence work than Systems Designers — still a stock market high flier with e p/o ratio of 41. And it does not have Logica's involvement in hardware and office antomation. Problems with these, and in the U.S., have helped cut Logica's p/e to 27.

CAP, however, has had problems of its own in the past. The flotation will sot tho seal on its recovery from a traumatic upheaval five years ago when tha company plunged into losses.

Founded in 1962, it was one of Britain's first computer service companies. "The GPO had to create e separate heading in Yellow Pages for us," says Mr Mike Smith, the current managing director, who joined in 1963.

But nearly two decades of steady growth and an excellent reputation in the compnter industry took a knock in 1980/81 when an ill-fated diversification into micro-computer software plunged the company into pre-tax losses of £1.42m, on turnover of £13.1m, against a profit of £689,000 in 1979/80.

A major reorganisation followed. A boardroom shake-up led to the departure of Mr Alex d'Agapeyeff, the company's chairman and co-founder, with Mr Smith moving up to take ovor as chief executive. There was e financial reconstruction, involving the injection of new institutional monoy, and the micro venture at the root of the problems was divested to its management (and has since become a successful business). "It was," says Mr Smith, "e watershed."

The company has bounced back quickly. It returned to profit the following year and has seen sharp increases ever since, with taxable income consistently ontstripping revenue growth. Analysts are expecting pre-tax profits of up to £2m in the year just endod, around 50 per cent bigher than 1983/84.

Three factors, in particular, appear to lie behind this:

● CAP has concentrated most of its resources on the provision of tailor-made compnter software systems, which had long been the company's principal skill, rather than on the riskier business of software products—software which can be used for many different applications. It

Mr Mike Smith, chief executive of CAP

does sell products, but largely as an adjunct to its bespoke work.

● It has been developing as a supplier of computer systems on a turnkey basis — providing the hardware as well as the software. "The growing complexity of computer systems means that customers are looking increasingly for a single contractor to deal with," says Mr Smith. "And an independant like CAP has a substantial advantage since it is unconnected with any single hardware manufacturer."

● The company has been homing in more sharply on specific markets which appear to offer the best returns.

Some 45 per cent of its revenue comes from industry and commerce, with 27 per cent each from financial services and defence/scientific work. This broad spread (with no single client representing more than 10 per cent of revenue) should give it a considerable income stability.

Within each sector it has targeted particular fields. For example, in financial services, it is particularly strong in Electronic Funds Transfer at Point of Salo (EFTPOS — the technical name for cashless shopping—and is consultant to a major study by UK clearing banks on implementing this. It also specialises in corporate cash management and dealing room systems.

However, CAP is still highly dependent on the UK market, which provides some 80 per cent of revenue, and is keen to expand abroad.

It already has some operations in Europe (with offices in the Netherlands), an office in New York serving the financial services market, and it recently opened an office in Singapore, where it has won a prestigious contract for the island stato's EFTPOS system in tho face of strong competition.

Top of the list for major expansion—almost certainly by an acquisition—is the U.S., though the company acknowledges that the competition there is particularly intense.

"Tho objective," says Mr Smith, "is to get CAP regarded as one of the world's leading systems companies, and that means working on a global scale. So many of our clients—such as in financial services—work internationally and we have to deliver in those markets."

A desire for acquisitions is one of the main reasons for CAP coming to market. Another is the growing demands for working capital for internal growth. "The computor services industry is growing at 30 per cent a year and we would expect to match that," says Mr Smith. "Systems contracting is also more capital intensive. I anticipate our fixed capital per employee increasing by a factor of three over the next four years."

A third factor behind tho flotation—and the main reason

**CAP**

for its timing — is the solving earlior this year of a lengthy debate over the company's shareholding structure.

CAP was wholly owned by management and staff until 1976, when the National Enterprise Board and Charterhouse Development took stakes as part of an NEB scheme to promote UK software products worldwide. CIN Industrial Investments came in as another institutional shareholder under the 1981 refinancing.

However, the change of policy towards tha NEB by the Conservative Government meant that it was not going to be a long term source of funds for CAP. Negotiations began for staff to buy out its 37 per cent holding, with a view to subsequent flotation.

The NEB reached agreement on a deal, but Ferranti then camo in with a substantially higher offer for the shares—opposed by CAP. This placed the NEB in a dilemma, since it was required to get tho best possible deal for the taxpayer.

Tha problem was solved by a capital reconstruction in February which allowed staff to match the Ferranti offer and buy the shares. Prior to flotation they will own just under 50 per cent of the equity, with the institutions tho remainder.

The offer to staff was taken up by more than 800 employees and twice oversubscribed. And that, in an industry notorious for its high staff turnover, seems a substantial vote of confidence in tha company's future.





## SHARE STAKES

Changes in company share stakes announced over tha past week include:

Exco International—On May 22 four directors, Richard Worthington, John O'Neill, Phil D'Angelo and J. H. Gunn, each sold 200,000 shares at £6.74½p.

Samuel Properties—On May 23 director N. A. Samuel sold 50,188 shares at 164p per share from his beneficial holding which is thereby reduced to 400,000 shares.

T.R. Energy Stakes—T.R. Industrial and General Trust disposed of its entire 2.05m ordinary (8.7 per cent) and has no further interest.

Amari—J. P. Pither, managing director, has disposed of 300,000 ordinary shares and now holds 109,610 ordinary shares and 924,450 of the "B" ordinary shares. K. T. Winterton, also o director, has sold 62,530 ordinary shares and now holds 937 ordinary shares and 129,735 of the "B" ordinary shares.

Thomas Robinson and Son—Virani Group UK now beneficial owner of 335,000 ordinary (8.375 per cent).

Yelverton Inv.—Clabir now holds total of 2,406,000 ordinary (29.95 per cent).

Walker and Homer Group—D. R. Mears, a director, has sold 100,000 shares thereby reducing his holding to 3,107,815 shares. J. D. Payne, a director, has sold 45,000 shares thereby reducing his holding to 1,616,640 shares.











# RECENT ISSUES

## EQUITIES

| Issue price | Amount paid up | Latest Renunc. date | 1985 High | 1985 Low | Stock | Closing price | + or − | Net Div. | Times covered | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ‡95 | F.P. | 28/6 | 106 | 104 | ‡Abbeycrest 10p | 104 | ...... | 42.5 | 2.5 | 3.4 | 11.5 |
| ‖380 | N.P. | 16/6 | 95 | 77 | Anglo EastPlants | 90 | ...... | — | — | — | — |
| — | F.P. | — | 48 | 37 | Do. Warrants | 42 | ...... | — | — | — | ... |
| §125 | F.P. | 21/6 | 181 | 154 | ‡Aspen Comms. 5p | 174 | ...... | u2.6 | 2.8 | 2.1 | 21.4 |
| 175 | F.P. | 28/6 | 188 | 175 | Asda Property 20p | 182 | ...... | u3.0 | 3.1 | 2.4 | 24.5 |
| — | F.P. | — | 850 | 750 | Banco de Bilbao S.A. | 800 | ...... | Q25% | 3.5 | 7.4 | 6.4 |
| — | F.P. | — | 700 | 650 | Banco de Santander | 655 | ...... | — | — | — | — |
| 275 | 200 | 10/9 | 283 | 215 | British Aerospace 50p | 217 | —3 | 15.65 | 3.1 | 5.0 | 7.3 |
| §75 | F.P. | — | 95 | 80 | ‡Browne (C.) Car 10p | 85 | ...... | bg2.5 | 3.4 | 4.2 | 14.4 |
| 166 | F.P. | 21/6 | 175 | 168 | ‡Clayform Props. 5p | 170 | ...... | bg7.5 | 2.1 | 6.5 | 14.8 |
| 115 | F.P. | 21/6 | 135 | 115 | Coloroll 10p | 115 | +1 | bg4.6 | 2.5 | 5.5 | 10.4 |
| §94 | F.P. | 21/6 | 105 | 97 | ‡Datron Int'l. 5p | 100 | +1 | u1.0 | 6.9 | 1.4 | 11.8 |
| 200 | F.P. | 31/5 | 300 | 260 | Domino Print. Scienc. | 270 | —5 | u1.75 | 4.3 | 0.9 | 35.0 |
| §117 | F.P. | 21/6 | 150 | 120 | ‡Electron House 10p | 135 | ...... | bg2.7 | 1.9 | 3.1 | 22.7 |
| §300 | F.P. | 28/6 | 410 | 370 | ‡H'mes Assurant 10p | 385 | +15 | u3.5 | 4.1 | 1.3 | 27.7 |
| §150 | F.P. | 7/6 | 205 | 165 | ‡Huntleigh Tech 5p | 200 | ...... | u1.6 | 5.8 | 1.1 | 21.6 |
| 100 | F.P. | 21/6 | 103 | 101 | MartinCurrie Pac.50p | 101 | ...... | — | — | — | — |
| §28 | F.P. | 14/6 | 34 | 26 | ‡Maxiprint 1p | 35 | —1 | — | — | — | — |
| §120 | F.P. | 7/6 | 181 | 143 | ‡Moorgate Group 5p | 180 | ...... | bg2.0 | 5.2 | 1.6 | 14.4 |
| 41 | F.P. | — | 47½ | 43 | ‡Perkins(J.)Meats 10p | 45 | +2½ | b.g1.8 | 2.0 | 5.7 | 11.8 |
| 110 | F.P. | 7/6 | 112 | 105 | Persimmon 10p | 106 | —1 | bg4.76 | 3.6 | 6.0 | 6.0 |
| £7.25 | F.P. | 26/4 | 85 | 79 | Plantation Tst | 79 | ...... | — | — | — | — |
| — | F.P. | — | 40 | 35 | Do. Warrants | 35 | ...... | — | — | — | — |
| 100 | F.P. | 7/6 | 106 | 90 | Prestwick 5p | 90 | ...... | u2.1 | 3.5 | 3.3 | 12.2 |
| ¶175 | F.P. | 7/6 | 205 | 175 | ‡Sherwood Com 10p | 183 | ...... | 62.75 | 5.4 | 2.1 | 11.9 |
| §120 | F.P. | 26/6 | 125 | 112 | ‡Viewplan 5p | 112 | —4 | u1.20 | 4.0 | 1.6 | 23.3 |
| §68 | F.P. | 24/6 | 72 | 68 | ‡Wyko Group 10p | 68 | ...... | b2.4 | 2.4 | 5.0 | 11.6 |

## FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1985 High | 1985 Low | Stock | Closing price | + or − |
|---|---|---|---|---|---|---|---|
| — | F.P. | — | 66 | 55 | Anglo-East Plts. 12½% Uns. Ln. 95-99 | | — |
| ¶¶ | F.P. | 26/6 | 107 | 100 | Bramall (C.D.) 15% Cnv. Uns. Ln. 98/2003 | 105 | —2 |
| = | Nil | 2/7 | 7 | 6 | Lon. & Edin. 0½% Conv. Cum. Rd. Prf. | 7 | —1 |
| 90.705 | £40 | 5/6 | 30¾ | 29½ | Malaysia 10¾% Ln. 2009 | 30¼ | ...... |
| — | F.P. | — | 100 | 99¾ | NationwideBldg.Soc. 12¾% 12/5/86 | 100 | ...... |
| — | F.P. | 6/6 | 96 | 92 | Plantation Trst 7¼% cnv. Uns. Ln. 2000 | 92 | ...... |
| ‖ | F.P. | 6/6 | 108 | 106 | Queens Moat 7% Cnv. Rd. Prf. | 107 | —1 |
| ‖ | Nil | 19/7 | 6pm | 2pm | Russell (A.) 6.75% Cum. Cnv. Rd. Prf. | 2pm | —1 |
| 94.895 | £40 | 12/7 | 35½ | 30 | Spain(Kingdom of) 11¾% Ln 2010 | 35½ | +1½ |
| § | Nil | — | 10½ | 6½pm | Woolworth 8½% Cov. Uns. Ln. 2000 | 7pm | ...... |

## RIGHTS OFFERS

| Issue price | Amount paid up | Latest Renunc. date | 1985 High | 1985 Low | Stock | Closing price | + or − |
|---|---|---|---|---|---|---|---|
| 198 | Nil | 16/7 | 21pm | 6pm | Anchor Chemical | 6pm | ...... |
| 200 | F.P. | 20/6 | 380 | 353 | Bank of Scotland £1 | 380 | ...... |
| 180 | F.P. | 14/6 | 392 | 325 | Barclays £1 | 370 | ...... |
| 550 | Nil | 6/7 | 40pm | 22pm | Beazer (C.H.) 70p | 24pm | ...... |
| 28 | F.P. | 26/6 | 29½pm | 28 | Brit. Empire Sec. & Gen. 5p | 28 | ...... |
| 134 | Nil | — | 20pm | 20pm | ‡Godwin Warren | 20pm | ...... |
| 80 | Nil | 26/6 | 10pm | 5pm | ‡Grosvenor Square 10p | 10pm | ...... |
| 66 | F.P. | 5/7 | 80 | 75 | Lon. & Northern | 78 | ...... |
| 610 | Nil | 12/7 | 127pm | 110pm | Low (Wm.) 20p | 122pm | ...... |
| 295 | F.P. | 12/6 | 360 | 335 | Memec 10p | 335 | ...... |
| 85 | F.P. | 7/6 | 102½ | 95 | Nationwide Leisure | 95 | ...... |
| 26 | F.P. | 28/6 | 43 | 29 | Newman Inds. 10p | 41 | ...... |
| 70 | F.P. | 4/7 | 77pm | 72pm | ‡Rivlin (L.D.S.) 5p | 76 | ...... |
| 120 | Nil | 12/7 | 6pm | 10pm | Suter 5p | 8pm | ...... |
| 222 | F.P. | 28/6 | 260 | 258 | Tesco 5p | 255 | ...... |
| 10 | Nil | 12/7 | 21pm | 17pm | "The Times" Veneer | 17pm | ...... |
| 180 | Nil | 12/7 | 54pm | 28pm | Tomkins (F.H.) 5p | 41pm | ...... |
| •2 | Nil | — | 1½pm | 1½pm | Willaire Systems | 1½pm | ...... |

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment letters or fully-paid. ‡‡ Introduction. ‡ Unlisted Securities Market. § Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3).

## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year | | Date | Announcement last year |
|---|---|---|---|---|---|
| Amersham International | June 11 | Final 3.1 | Imperial Cont Gas | July 3 | Final 8.5 |
| Anglo Amer Corp SA | June 4 | Final 85c | Intasun | July 3 | Final 2.8 |
| *Argyll Gp | June 11 | Final 4.643 | Johnson Matthey | June 20 | Final 7.0 |
| *Avana | June 17 | Final 5.625 | LRC Intl | June 19 | Final 2.35 |
| BPB Inds | June 27 | Final 4.2 | *McCorq'dale | June 4 | Interim 2.0 |
| Bassett Foods | June 13 | Final 4.55 | *Metal Box | June 11 | Final 9.19 |
| *Beecham | June 12 | Final 5.6 | *Meyer Intnl | June 10 | Final 3.1 |
| Berisford (S. & W.) | June 18 | Interim 3.5 | *NatWest | July 30 | Interim 12.0 |
| British Land | June 19 | Final 1.5 | [illegible] | | Final due |
| *British Telecom | June 19 | Final due | *Northern Foods | June 19 | Final 2.5 |
| Burnett and Hallamshire | June 22 | Final 4.75 | *Pegler Hattersley | June 6 | Final 6.5 |
| Cable and Wireless | June 28 | Final 4.1 | *Pilkington Bros | June 12 | Final 6.5 |
| Centrovincial Estates | June 14 | Final 3.0 | Powell Duffryn | June 20 | Final 11.0 |
| Charter Cons | June 27 | Final 7.25 | Racal Electronics | June 26 | Final 2.16 |
| *Dawson Intl | June 20 | Final 4.9 | *Redland | June 13 | Final 6.175 |
| *De La Rue | June 4 | Final 18.4 | *Reed Intnl | June 5 | Final 11.5 |
| Electrocomponents | June 25 | Final 2.7 | Scottish and Nwcastle Brws | July 3 | Final 3.64 |
| Elliott (B.) | June 14 | Final nil | *600 Group | June 13 | Final 9.5 |
| *English China Clays | June 7 | Interim 3.6 | *Sketchley | June 6 | Final 2.91 |
| Ferranti | June 27 | Final 4.4 | Staveley Inds | June 14 | Final 4.0 |
| *Fitch Lovell | June 20 | Final 6.7 | Tesco | June 12 | Final 2.6 |
| GEI Intl | June 19 | Final 3.555 | Trusthouse Forte | June 25 | Interim 1.125 |
| Great Portland Ests | June 12 | Final 4.5 | *Unigate | June 17 | Final 4.75 |
| Guinness | June 12 | Interim 1.82 | *Valor | June 12 | Final 2.926 |
| *Habitat Mothercare | June 6 | Final 4.6 | Vantona Viyella | July 3 | Interim 4.0 |
| Hambros | June 26 | Final 42.75 | Wedgwood | June 18 | Final 3.5 |
| *Hanson Trust | June 4 | Interim 1.75 | Westland | June 13 | Interim 3.0 |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

# UK COMPANY NEWS

## Laporte results show a significant rise this year

THE CURRENT year at Laport Industries, chemical manufacturer, had started well, and the group performance so far was significantly higher than that of the corresponding period last year, said Mr R. M. Ringwald, the chairman, et the annual meeting.

As already known, profits in 1984 showed an increase of more than 50 per cent for the second successive year. Pre-tax figures jumped from £30.2m to £47.5m, on turnover of £355.6m (£290.2m).

Since January, Laporte had purchased two companies in the U.S. — Leisure Time Chemicals in California and Aspen Industries in Syracuse. Both of these companies had e significant presence in pool and spa chemicals and would materially strengthen the group's position in the U.S. in this growing market, the chairman said.

The duplication of the group's Californian-based Exsil operations within Micro-Image Technology in Derhyshire to serve the European market for silicon wafer reclaiming was on schedule. Laporte had been given permission by the Spanish Government to purchase the outstanding shares which it did not own of Minas de Gador in Spain.

Members were told that Laporte had authorised substantial capital expenditure for e multi-purpose plant at its new site at Seal Sands being developed hy Fine Organics, e company bought last year. This development of the Seal Sands site would bring a substantial number of new jobs to Teeside, Mr Ringwold said.

A similar levet of capital investment being undertaken at Widnes on new clay products would also create significant additional employment.

Regarding Interox, the construction of the new hydrogen peroxide facility in Warrington was on target and the U.S. Interox operetions were now generating increasing profits. A considerable number of other projects around the world were in hand, which tha chairman hoped would be finalised this year..

● At the AGM of Fothergill & Harvey, Mr L. Stevens, the chairman, said the board was confident of a further increase in profits this year. The groop had made an encouraging start with sales in the first four months 14 per cent higher than the correspooding period of 1984. But rising costs, high interest rates and e strengthening pound were affecting margins.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Finals: Airflow Streamlines, FKI Electricals, TR Natural Resources Investment Trust, J. W. Wassall.

FUTURE DATES

Interims—

| | |
|---|---|
| LPA Industries | July 1 |
| Raeburn Investment Trust | June 12 |

Finals—

| | |
|---|---|
| Alphameric | June 17 |
| Avana | June 17 |
| Beecham | June 12 |
| Dawson International | June 20 |
| Finlay (James) | June 13 |
| Southwest Resources | June 10 |

## Seltrust's revised scheme is delayed

By Kenneth Marston, Mining Editor

An overwhelming vote (99.4 per cent) of minority shareholders in British Petroleum's 75.4 per cent-owned Australian subsidiary, Seltrust Holdings, has approved the latter's revised reorganisation scheme at the Perth meeting.

However, MIM Holdings, which has 40 per cent of the BP group's Agnew nicket mine in Western Australia, has issued a summons that the deal breaches the joint venture agreement over Agnew.

This means that until the problem has been settled the Seltrust scheme cannot be approved. It is stated that this will mean a delay whereby the effective date of the Seltrust scheme will be put back from the previously expected June 24 when dealing in the shares of the new Paragon Resources (effered to Seltrust minority holders) were due to begin in Australie and London.

## TR Industrial and General lifts revenue

After-tax revenue of TR Industrial and General Trust advanced sharply from £5.87m to £8.23m in the year to March 31, 1985. Earnings per 25p share increased to 3.8p, against 2.87p previously which excluded an exceptional item.

The final dividend is raised to 2.3p net for a higher total of 3.5p (3.15p). Net asset value climbed from 178.9p to 202p per share, after deducting prior charges at par.

## Nationwide Leisure full listing

Nationwide Leisure, the package holiday group and caravan park operator which came to the Unlisted Securities Market just two years ago, has graduated to the main market.

In the Listing Particulars for the introduction of the share, the company is forecasting pre-tax profits of £1.25m for the year ended October 31, 1984 (£843,000), and a dividend of 3.75p (2.5p) per share.

The forecast is the same as that made when the company announced a £1m rights issue in April, it is stated.

## Sedgwick sells Lloyd's underwriting agency

Sedgwick Groop, Britain's largest independent insurance hroker, has reached an agreement in principle for the sale of its Sedgwick Forbes Lloyd's underwriting agency interests.

The agency is being bought by a group of the active underwriters at Lloyd's who run insurance syndicates et Lloyd's—483/137, 484, 47/440 and 48, under the management of the agency. In the sale Sedgwick is receiving £3m plus additional consideration of at least £1.25m, being a percentage of any aggregate profit commission earned in respect of the management of the syndicetes in the underwriting years 1983 to 1989 in excess of an agreed sum.

Under the deal £2m will be paid in cash on completion and £1m will he repaid hy 1993. During this period the amount outstanding will bear interest. The estimated profit before tax of the agency in 1984 was £1.3m.

The underwriters who are making the purchase, through a company called Newco, are Messrs R.P. Chandler, R.E. Thomson, R. Ballantyne and W.E. Simms. Two directors of the agency Mr R. A. Denton and Mr S. J. Cox are also forming part of the buyout consortium.

The move has been triggered by the divestment legislation at Lloyd's which requires that all Lloyd's insurance hrokers divest themselves of their interests in managing agencies by mid 1987.





## Inmos stake sold

Thorn EMI said yesterday that one of the founders of Inmos, the microchip company it bought from the Government last year, had recently sold a substantial proportion of his shareholding in Inmos to Thorn. However, the company said that it could not name the individual for "technical reasons."

Thorn paid the Government £95m for a majority stake in Inmos. One of the company's three founders, Mr Paul Schroeder, sold his shares to Thorn last year, but the other two, Mr Dick Petritz and Prof Ian Barron, did not.

## FT Share Information

The following securities have been added to the Share Information Service:—

Howard Group (Section: Insurance).

Inter - American Development Bank 9¼pc Loan Stock 2015 (Int'l. Bank & O'seas. Govt. Sterling Issues).

Norscot Hotels (Hotels & Caterers).

Saatchi & Saatchi 6.3pc Conv. Cum. Red. Pref. (Paper, Printing and Advertising).

Wayne Kerr (Electricals).

Williams Holdings 5pc Cum. Cnv. Red. Pref. (Industrials).

berent fl



### FINANCIAL TIMES STOCK INDICES

| | May 31 | May 30 | May 29 | May 28 | May 24 | May 23 | 1985 High | 1985 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 81.36 | 81.24 | 81.02 | 80.87 | 80.80 | 80.83 | 82.00 | 78.02 | 127.4 | 40.0 |
| Fixed Interest | 86.06 | 86.08 | 85.91 | 85.84 | 85.78 | 85.70 | 86.19 | 82.17 | 150.4 | 50.0 |
| Ordinary | 1003.5 | 1004.2 | 999.1 | 1006.5 | 1001.6 | 1010.2 | 1024.5 | 928.7 | 1024.5 | 49.0 |
| Gold Mines | 451.0 | 461.4 | 463.0 | 455.4 | 477.5 | 479.8 | 536.9 | 439.5 | 734.7 | 43.4 |
| FT Act. All-Share | 634.16 | 634.87 | 632.96 | 635.75 | 634.53 | 640.34 | 642.96 | 581.88 | 642.96 | 61.92 |
| FT-SE100 | 1313.0 | 1314.7 | 1312.0 | 1317.4 | 1316.5 | 1325.3 | 1342.4 | 1206.1 | 1342.4 | 986.9 |

*Closing prices, May 31*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 23½ | 18 | AAR | .48 | 2.8 | 14 | 218 | 18¾ | 16⅝ | 16⅝ | |
| 18½ | 9⅝ | AGS | | | 12 | 26 | 14⅛ | 15¾ | 14 | +⅛ |
| 16¾ | 9⅝ | AMCA | | | | 8 | 10⅞ | 10¾ | 10¾ | |
| 21½ | 13¾ | AMF | .50 | 2.5 | 56 | 1281 | 19⅝ | 16¾ | 19⅝ | +⅜ |
| 47⅛ | 24¼ | AMR | | | 11 | 8974 | u47¾ | 45¼ | 47⅝ | +2⅜ |
| 21½ | 16⅝ | AMR pf2.18 | | 10. | | 97 | 21⅝ | 21¼ | 21¼ | −⅛ |
| 25⅞ | 22⅞ | ANR pf 3.67 | | 11. | | 1 | 24 | 24 | 24 | −½ |
| 14¼ | 7¾ | APL | | | | 7 | 8¾ | 8⅝ | 8¾ | |
| 60¼ | 44⅝ | ASA | | 24.8 | | 709 | 50⅝ | 49¾ | 50⅝ | +¾ |
| 27 | 14⅛ | AVX | .82 | 2.1 | 19 | 114 | 15¼ | 14½ | 15¼ | +½ |
| 24⅞ | 19 | AZP | 2.72 | 11. | 8 | 1099 | u25¼ | 24⅝ | 25⅛ | +⅜ |
| 54⅝ | 36¾ | AbtLab 1.40 | | 2.9 | 78 | 2172 | 54⅝ | 53½ | 54⅛ | +⅛ |
| 25⅞ | 17 | AccoWd .44 | | 2.8 | 17 | 224 | 22⅛ | 21¾ | 22¼ | +½ |
| 20¼ | 19½ | AcmeC .48 | | 2.8 | | 100 | 14⅞ | 14⅝ | 14⅝ | −½ |
| 16½ | 7⅜ | AcmeE .32b | | 4.0 | 10 | 18 | 8⅛ | 8 | 8 | |
| 17½ | 15 | AdaEx 1.92e | | 11. | | 56 | 17¾ | 17⅛ | 17⅜ | |
| 20 | 11⅛ | AdmMl .36 | | 2.1 | 8 | 10 | 18⅝ | 15⅞ | 16½ | |
| 19½ | 8⅝ | AdvSys .53t | | 5.0 | 17 | 21 | 10½ | 16¼ | 19½ | +⅛ |
| 41⅛ | 25⅛ | AMD | | | 11 | 4694 | 27⅞ | 26½ | 26½ | −⅛ |
| 12¾ | 6⅞ | Advest .19 | | 1.4 | | 134 | 01⅛ | 8⅝ | 8¾ | −⅜ |
| 14⅝ | 5¾ | Aerflex | | | 12 | 178 | 13¼ | 12⅞ | 13 | −⅛ |
| 46⅝ | 27¼ | AetnLf 3.64 | | 5.8 | 33 | 6106 | 45¾ | 48⅛ | 45½ | +¼ |
| 57¾ | 52⅜ | AetL pf5.83e | | 13. | | 26 | 56½ | 56¼ | 56½ | +⅝ |
| 36 | 16¾ | Ahmns 1.20 | | 3.8 | 14 | 684 | 33⅝ | 32⅞ | 33½ | +½ |
| 3⅝ | 2½ | Aileen | | | 23 | 34 | 3 | 2 | 3 | |
| 53½ | 38⅝ | AirPrd 1.20 | | 2.3 | 13 | 678 | 53¼ | 52⅜ | 52¾ | −¼ |
| 24⅜ | 13 | AirbFrt .60 | | 2.9 | 12 | 181 | 21¼ | 21 | 21 | −⅝ |
| 2 | 1 | AlMoa s | | | 26 | 90 | 1¾ | 1⅝ | 1⅝ | |
| 33⅝ | 26¾ | AlaP pfA3.62 | | 12. | | 0 | 21¾ | 91⅝ | 51¾ | −¼ |
| 8 | 6 | AlaP dpl.67 | | 11. | | 21 | 7¾ | 7⅝ | 7¾ | +⅛ |
| 78¼ | 61⅛ | AlaP pf 9 | | 13. | | z200 | 75½ | 75½ | 78½ | +1½ |
| 73½ | 57 | AlaP pf 3.18 | | 11. | | 156 | 71¾ | 71 | 71¾ | +⅝ |
| 70 | 56 | AlaP pf 8.28 | | 12. | | z600 | 80 | 67¼ | 67¼ | −1¼ |
| 16⅛ | 11 | Alagsc s1.84 | | 7.1 | 8 | 14 | 14¾ | 14⅝ | 14⅝ | −¼ |
| 22⅞ | 9¼ | AlskAir .14 | | .8 | 9 | 546 | 22 | 21½ | 22 | +½ |
| 18⅝ | 10½ | Albrto s .28 | | 2.2 | 19 | 27 | 17⅛ | 17¼ | 17¼ | −½ |
| 33¼ | 08⅛ | Albsns .76 | | 2.4 | 13 | 935 | 31¼ | 30⅝ | 31¼ | +⅛ |
| 31¼ | 23¼ | Alcan 1.20 | | 4.8 | 12 | 2160 | 24⅞ | 24⅝ | 24⅝ | −¼ |
| 36⅛ | 27⅛ | AlcoStd 1.20 | | 3.5 | 12 | 128 | 35 | 34 | 34¾ | +½ |
| 36 | 17 | AlexAlx 1 | | 3.7 | | 1066 | 27 | 26½ | 26⅞ | −¼ |
| 26½ | 20⅝ | Alexdr | | | 20 | 90 | 23¼ | 23¼ | 23¼ | |
| 89½ | 72¼ | AllgCp 2.08t | | 2.7 | 24 | 24 | 77⅝ | 77¼ | 77¼ | −⅝ |
| 26¾ | 25 | AlgCp pf2.86 | | 11. | | 4 | 25⅞ | 25⅞ | 25⅞ | |
| 20⅝ | 18¾ | AlgInt 1.48 | | 5.8 | | 138 | 25¼ | 24⅛ | 25⅛ | −⅛ |
| 20 | 15¼ | AlgIn pf2.19 | | 11. | | 17 | 19⅞ | 19¾ | 18¾ | |
| 97½ | 81 | Algl pfC11.25 | | 12. | | 36 | 97¼ | 97 | 97¼ | +½ |
| 33⅜ | 24⅝ | AllgPw 2.70 | | 8.2 | 10 | 1147 | 33¼ | 32⅜ | 33⅛ | +⅝ |
| 20⅞ | 16¾ | AllenG .60b | | 3.3 | 16 | 100 | 18½ | 18¼ | 18⅝ | +⅛ |
| 46¾ | 28¼ | AldCp 1.80 | | 4.3 | 8 | 3627 | 41¾ | 40⅞ | 41⅜ | +⅜ |
| 66 | 53⅞ | AldCp pf6.74 | | 11. | | 66 | 63¼ | 62¼ | 60¼ | +¾ |
| 119¼ | 99 | AldCp pf 13 | | 11. | | 4 | 118⅝ | 110¼ | 110⅝ | +⅛ |
| 106⅝ | 100¾ | AldC pf 12.31e | | 12. | | 4 | 102 | 102 | 102 | +¼ |
| 23½ | 13⅛ | AldPd | | | 17 | 49 | 18¼ | 18 | 18¼ | +⅜ |
| 59½ | 38 | AldStr 2.12 | | 6.8 | 9 | 3300 | 59 | 57¾ | 58⅝ | +¾ |
| 12⅜ | 5⅛ | AllisCh | | | | 350 | 6½ | 6¾ | 6⅝ | −¼ |
| 34⅞ | 24 | AllsC pf | | | | 63 | 34¾ | 84¼ | 34½ | +½ |
| 27⅝ | 28 | ALLTL 1.84 | | 6.7 | 0 | 68 | 37½ | 27⅝ | 27½ | +⅛ |
| 39⅞ | 29¾ | Alcoa 1.20 | | 3.7 | 76 | 2143 | 32⅝ | 31⅝ | 32¼ | −¼ |
| 23 | 15½ | Amax .20 | | 1.2 | | 417 | 16½ | 16¾ | 15½ | +¼ |
| 34 | 22¾ | AmHes 1.16 | | 6.8 | 21 | 9162 | 29¼ | 28⅝ | 29⅛ | +⅜ |
| 2⅜ | 1¼ | AmAgr | | | | 2004 | 1⅞ | 1⅝ | 1⅞ | |
| 21½ | 13⅛ | ABakr | | | 9 | 299 | 21⅛ | 20¾ | 21 | +¼ |
| 10 | 53 | ABrand 3.90 | | 8.8 | 9 | 708 | 66¾ | 60 | 66¾ | +1¼ |
| 28⅜ | 24⅝ | ABrd pf2.75 | | 3.7 | | 16 | 28⅜ | 28⅛ | 28¼ | +⅛ |
| 70⅝ | 53 | ABrd pf2.67 | | 4.0 | | 3 | 67½ | 60 | 67½ | +1½ |
| 113 | 55¾ | ABdcst 1.60 | | 1.4 | 17 | 1830 | 111⅞ | 111 | 111 | −¾ |
| 26⅝ | 16½ | ABldM .86 | | 3.8 | 12 | 56 | 26⅜ | 26⅛ | 26⅜ | |
| 27⅛ | 20⅛ | ABusPr .64 | | 2.3 | 18 | 17 | 25⅜ | 25¼ | 25⅜ | +¼ |
| 57⅜ | 40½ | AmCan 2.90 | | 2.1 | 11 | 280 | u57½ | 57 | 57⅜ | +⅛ |
| 25¾ | 21⅛ | ACan pf2.80 | | 11. | | 11 | 25¼ | 25 | 25¼ | |
| 50¼ | 87 | ACan pf 2 | | 5.9 | | 212 | u50½ | 50¼ | 50½ | +½ |
| 118 | 103 | ACan pf13.75 | | 12. | | 48 | 114 | 112½ | 114 | +⅜ |
| 20½ | 16¾ | ACapB 2.20 | | 11. | | 89 | u20⅞ | 20¼ | 20⅝ | +⅜ |
| 30⅞ | 25⅛ | ACapC 2.31e | | 6.2 | | 14 | 30½ | 30⅛ | 30½ | +½ |
| 11 | 6½ | AConlC | | | 231 | 92 | 9¼ | 9 | 9¼ | −⅛ |
| 56½ | 43⅝ | ACyan 1.90 | | 3.5 | 13 | 2057 | 55¾ | 55 | 55 | −⅛ |
| 29¾ | 18¾ | ADT | .92 | 4.8 | 23 | 339 | 23⅞ | 23¼ | 23¼ | −⅜ |
| 23 | 15⅛ | AElPw 2.26a | | 6.9 | 6 | 3940 | 22⅞ | 22⅝ | 22⅞ | +¼ |
| 46⅝ | 23 | AmExp 1.28 | | 2.8 | 19 | 7968 | u46½ | 45⅝ | 46 | +¼ |

Continued on Page 25

# AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

*Closing prices, May 31*

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |

Continued on Page 26

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 24

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | | | | |
| 67¾ | 48 | Wrigly 1.80a | | 2.8 | 13 | 64 | u69⅜ | 67⅛ | 69¼ | +2¼ |
| 3 | 3⅛ | Wurlitzr | | | | 8 | 3⅞ | 3⅞ | 3⅞ | −⅛ |
| 18 | 10¾ | WyleLb | .32 | 2.2 | 10 | 101 | 11⅜ | 11⅛ | 11⅛ | −⅛ |
| 23⅜ | 17 | Wynns | .60 | 3.4 | 7 | 63 | 17¾ | 17¼ | 17¾ | +⅛ |
| **X Y Z** | | | | | | | | | | |
| 50½ | 33¼ | Xerox | 3 | 6.0 | 21 | 1983 | 50 | 48¾ | 50 | +⅛ |
| 54⅝ | 45¼ | Xerox pf5.45 | | 10. | | 32 | u54½ | 54¼ | 54½ | +¼ |
| 30 | 24 | ZaleCp 1.32 | | 4.4 | 9 | 636 | u30¼ | 29⅞ | 30⅛ | +¼ |
| 23¼ | 12 | Zapata | .84 | 6.9 | 24 | 1920 | 12⅝ | 12¼ | 12¼ | −⅜ |
| 56 | 24 | Zayre n | .40 | .0 | 17 | 1005 | 53½ | 52¼ | 52¼ | −1⅛ |
| 30 | 13⅛ | ZenithE | | | 9 | 2459 | 23⅛ | 22 | 22⅞ | +½ |
| 21⅞ | 14⅜ | Zero s | .32 | 1.7 | 13 | 33 | 18⅝ | 18⅛ | 18⅝ | +⅜ |
| 33¾ | 21⅞ | Zurnin 1.32 | | 3.0 | 12 | 171 | 33¾ | 33¼ | 33¾ | +¼ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

# WORLD STOCK MARKETS

## OVER-THE-COUNTER Nasdaq National Market closing prices

Continued on Page 27

## AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 25

## CANADA

TORONTO

*Closing prices May 31*

MONTREAL

*Closing prices May 31*

## FRANCE

| 1985 High | Low | Apr. 31 | Price Frs. |
|---|---|---|---|
| 1,775 | 1,590 | Emprunt 4½% 1373 | 1,015 |
| 6,629.9 | 7,356 | Emprunt 7% 1373 | 6,314 |
| 297 | 535.9 | Accor | 297 |
| 680 | 546 | Air Liquide | 680 |
| 605 | 498 | BIC | 661 |
| 2,005 | 1,501 | Bongrain | 2,005 |
| 850 | 602 | Bouygues | 850 |
| 2,600 | 2,930 | BSN Gervais | 2,565 |
| 1,388 | 1,295 | CIT Alcatel | 1,350 |
| 3,425 | 1,790 | Carrefour | 3,610 |
| 635 | 623 | Club Mediter | 527 |
| 640 | 470.8 | Cie Bancaire | 640xc |
| 298.5 | 239.5 | Cofimeg | 290 |
| 2,448 | 2,090 | Damart | 2,300 |
| 1,475 | 1,028 | Darty | 1,475 |
| 755 | 680 | Dumez S.A. | 710 |
| 703 | 599 | Eaux (Cie Gen.) | 683 |
| 250 | 215.1 | Elf-Aquitaine | 229 |
| 3,150 | 2,460 | Essilor | 2,645 |
| 792 | 645 | Gen. Occidentale | 741 |
| 134 | 72.0 | Imetal | 151.5 |
| 583 | 361 | Lafarge-Coppee | 665 |
| 2,700 | 2,221 | L'Oreal | 2,070 |
| 2,395 | 1,850 | Legrand | 2,349 |
| 965.8 | 185 | Maisons Phenix | 261 |
| 1,980 | 1,565 | Matra S.A. | 1,850 |
| 1,070 | 735 | Michelin B | 1,070 |
| 2,700 | 2,078 | Midi (Cie) | 2,700 |
| 9,040 | 1,615 | Moet-Hennessy | 2,038 |
| 115.5 | 90.3 | Moulinex | 95.5 |
| 98.7 | 72.2 | Nord Est | 87.5 |
| 751 | 665 | Pernod Ricard | 759 |
| 548 | 455 | Perrier | 598 |
| 277.9 | 245.5 | Petroles Fra. | 275 |
| 369 | 240 | Peugeot S.A. | 669 |
| 284 | 177.3 | Printemps (Au.) | 284 |
| 301 | 919 | Radiotech | 288 |
| 1,447 | 119.9 | Redoute | 1,425 |
| 1,790 | 1,485 | Roussel-Uclaf | 1,690 |
| 364 | 281 | Sefimeg | 359 |
| 1741.7 | 1504.2 | Skis Rossignol | 1,850xc |
| 2,076 | 9,200 | Telemech Elect. | 2,670 |
| 590 | 410 | Thomson (CSF) | 561 |
| 260.5 | 214.5 | Valeo | 225 |

## GERMANY

| 1985 High | Low | May 31 | Price Dm |
|---|---|---|---|
| 128 | 100.3 | AEG-Telef. | 123.7 |
| 1,296 | 861 | Allianz Vers | 1287xr |
| 912.2 | 175.8 | BASF | 218.8 |
| 229.7 | 185 | Bayer | 229 |
| 360 | 309.5 | Bayern-Hypo | 360 |
| 375 | 318.2 | Bayern-Verein | 375xd |
| 528 | 251 | BHF-Bank | 328 |
| 395 | 551 | BMW | 385 |
| 224 | 167.5 | Brown Boveri | 318.5 |
| 199 | 162.1 | Commerzbank | 198 |
| 141.8 | 114.5 | Conti Gummi | 140.2 |
| 825 | 696.5 | Daimler-Benz | 825 |
| 369 | 338 | Degussa | 344.2 |
| 172 | 155 | D'sche Babcock | 168 |
| 556 | 385.5 | Deutsche Bank | 556xd |
| 231.5 | 178.6 | Dresdner Bank | 231.5xd |
| 172.8 | 147 | GHH | 164.2 |
| 580 | 460 | Hochtief | 550 |
| 235.7 | 182.5 | Hoechst | 233.7 |
| 117 | 97.5 | Hoesch Werke | 109.4 |
| 487 | 380 | Holzmann (P) | 487 |
| 186 | 163 | Horten | 177 |
| 612 | 285 | Hussel | 285.5 |
| 241.5 | 205 | Karstadt | 228.5 |
| 241 | 265.5 | Kaufhof | 934.5 |
| 270 | 247 | KHD | 256 |
| 82.2 | 70 | Kloeckner | 70.9 |
| 451 | 391 | Linde | 450 |
| 418.3 | 180 | Lufthansa | 194.3 |
| 169.5 | 143.5 | MAN | 162 |
| 172.1 | 149.7 | Mannesmann | 172.1 |
| 733 | 609 | Mercedes Hld | 736 |
| 975.5 | 917.5 | Metallgesell. | 264.5 |
| 1,410 | 1,062 | Muench Rueck | 1410 |
| 595.8 | 316 | Nixdorf | 592 |
| 1,388 | 1,025 | Porsche | 1,232 |
| 284.8 | 240 | Preussag | 976 |
| 171.0 | 150 | Rhein West Elect | 168.3 |
| 260 | 238 | Rosenthal | 256 |
| 485 | 469.5 | Schering | 470.5 |
| 573.5 | 478.4 | Siemens | 564.3 |
| 106.5 | 21.4 | Thyssen | 106.5 |
| 232 | 174 | Varta | 224 |
| 193.5 | 165.7 | Veba | 195.6 |
| 140 | 122 | V.E.W. | 134 |
| 529 | 500 | Verein-West | 320 |
| 248 | 189 | Volkswagen | 248 |

## NORWAY

| 1985 High | Low | May 31 | Price Kroner |
|---|---|---|---|
| 172.5 | 124 | Bergens Bank | 139 |
| 436 | 665 | Borregaarde | 422.5 |
| 171 | 155.3 | Christiania Bk | 138 |
| 171 | 145 | Den Norsk Credit | 145.5 |
| 155 | 118.3 | Elkem | 146 |
| 211 | 160 | Kvaerner | 165 |
| 362 | 302 | Norsk Data | 355xc |
| 118.5 | 97.5 | Norsk Hydro | 110 |
| 289 | 217.3 | Storebrand | 288 |

## ITALY

## NETHERLANDS

## SWITZERLAND

## SWEDEN

## AUSTRIA

| 1985 High | Low | May 31 | Price % |
|---|---|---|---|
| 338 | 225 | Creditanstalt Pfd. | 332 |
| 585 | 330 | Goesser | 525 |
| 1,420 | 400 | Interunfall | 1,420 |
| 325 | 222 | Laenderbank | 317 |
| 600 | 335 | Perlmooser | 565 |
| 220 | 155 | Steyr-Daimler | 188 |
| 520 | 245 | Veitscher Mag | 501 |

## BELGIUM/LUXEMBOURG

| 1985 High | Low | May 31 | Price Frs. |
|---|---|---|---|
| 1,950 | 1,750 | B.B.L. | 1,950 |
| 6,200 | 0,450 | Banq. Int. A. Lux | 6,020 |
| 6,000 | 4,380 | Bekaert B. | 6,000 |
| 2,700 | 2,350 | Ciment CBR | 2,500 |
| 257 | 221 | Cockerill | 235 |
| 8,700 | 8,530 | Delhaize | 8,700 |
| 8,140 | 2,770 | EBES | 3,100 |
| 8,870 | 8,000 | Electrobel | 8,870 |
| 2,220 | 1,885 | Fabrique Nat. | 1,985 |
| 3,580 | 2,865 | GB Inno BM | 3,580 |
| 2,205 | 1,900 | GBL (Brux) | 2,010 |
| 4,430 | 3,575 | Gevaert | 3,900 |
| 8,190 | 6,520 | Hoboken | 5,580 |
| 2,305 | 6,023 | Intercom | 3,276 |
| 8,950 | 7,620 | Kredietbank | 5,930 |
| 11,900 | 9,700 | Pan Hldgs | 11,000 |
| 7,250 | 6,170 | Petrofina | 6,170 |
| 12,500 | 10,850 | Royale Belge | 12,000 |
| 3,480 | 3,030 | Soc. Gen. Banq. | 3,530 |
| 2,090 | 1,615 | Soc Gen. Belge | 1,275 |
| 8,010 | 6,770 | Sofina | 7,150 |
| 4,500 | 3,825 | Solvay | 4,420 |
| 1,658 | 1,450 | Stanwick Intl. | 1,500 |
| 4,550 | 6,750 | Tractionel | 4,300 |
| 6,500 | 4,600 | UCB | 3,500 |
| 3,600 | 2,005 | Wagon Lits | 6,600 |

## DENMARK

| 1985 High | Low | May 31 | Price Knr. % |
|---|---|---|---|
| 619 | 257 | Andelsbanken | 297 |
| 645 | 520 | Baltic Skand | 565 |
| 335 | 959 | CopHandelsbank | 979 |
| 575 | 460 | D. Sukkerfab | 490 |
| 628 | 260 | Danske Bank | 504 |
| 1,260 | 1,086 | De Danske Luft. | 1,156 |
| 236 | 129 | East Asiatic | 935 |
| 1,000 | 770 | Forenede Brygg. | 625 |
| 144 | 88 | Forenede Damp. | 137 |
| 443 | 359 | GNT Hldg | 407 |
| 530 | 340 | I.S.S.B. | 486 |
| 665 | 464 | Jyske Bank | 565 |
| 1,895 | 1,513 | Novo Ind. | 1,635 |
| 292 | 223 | Privatbanken | 272 |
| 373 | 260 | Provinsbanken | 340 |
| 356 | 217 | Smidth (F) | 248 |
| 1,150 | 880 | Sophus Berend | 1,675 |
| 497 | 695 | Superfos | 441 |

## SPAIN

| 1985 High | Low | May 31 | Price Pta % |
|---|---|---|---|
| 345 | 306 | Bco Bilbao | 345 |
| 631 | 306 | Bco Central | 512 |
| 216 | 200 | Bco Exterior | 818 |
| 177 | 155 | Bco Hispano | 156 |
| 599 | 353 | Bco Popular | 333 |
| 364 | 327 | Bco Santander | 863 |
| 166.5 | 144.2 | Dragados | 150 |
| 94 | 79 | Hidrola | 83 |
| 109.5 | 61.2 | Iberduero | 95.2 |
| 186 | 146.2 | Petroleos | 145.9 |
| 135.7 | 94.5 | Telefonica | 191 |

## AUSTRALIA

| 1985 High | Low | May 31 | Price Aust. $ |
|---|---|---|---|
| 3.63 | 4.35 | ANZ Group | 4.50 |
| 1.10 | 1.05 | Alliance Oil Dev. | 1.10 |
| 2.11 | 1.75 | Ampol Pet. | 1.84 |
| 1.06 | 0.75 | Ashton | 1.01 |
| 9.5 | 1.88 | Aust. Cons. Ind. | 2.42 |
| 3.4 | 2.35 | Aust Guarantee | 2.45 |
| 3.0 | 2.42 | Aust. Nat. Inds. | 2.82 |
| 2.9 | 2.4 | APM | 2.74 |
| 7.38 | 4.7 | Bell Group | 7.3 |
| 7.6 | 4.25 | Bell Res. | 7.30 |
| 1.0 | 1.12 | Bond Corp Hldgs | 1.20 |
| 3.48 | 3.16 | Boral | 5.22 |
| 2.49 | 1.51 | Bougainville | 2.13 |
| 4.05 | 0.48 | Brambles Ind. | 3.75 |
| 2.65 | 2.05 | Bridge Oil | 2.35 |
| 6.64 | 4.34 | B.H. Prop. | 6.24 |
| 7.4 | 4.28 | CRA | 6.30 |

## SOUTH AFRICA

## HONG KONG

## JAPAN

| 1985 High | Low | June 1 | Price Yen |
|---|---|---|---|
| 1,070 | 1,040 | Ajinomoto | 1,150 |
| 2,097 | 1,570 | Alps Electric | 1,570 |
| 1,134 | 697 | Amada | 932 |
| 1,100 | 621 | Asahi Chem. | 1,100 |
| 278 | 656 | Asahi Glass | 879 |
| 550 | 600 | Bridgestone | 858 |
| 1,460 | 1,180 | Canon | 1,190 |
| 9,060 | 1,570 | Casio Comp. | 1,660 |
| 1,250 | 1,000 | Chugai Pharm. | 1,060 |
| 528 | 466 | Citizen | 466 |
| 748 | 605 | Daiei | 714 |
| 1,070 | 295 | Dai Nippon Ptg. | 1,050 |
| 665 | 532 | Daiwa House | 666 |
| 494 | 329 | Ebara | 435 |
| 2,008 | 1,165 | Eisai | 1,430 |
| 2,300 | 7,190 | Fanuc | 4,21xc |
| 1,680 | 1,290 | Fuji Bank | 1,570 |
| 1,950 | 1,530 | Fuji Film | 1,790 |
| 1,320 | 960 | Fujisawa | 980 |
| 1,260 | 1,060 | Fujitsu | 1,080 |
| 3,540 | 1,600 | Green Cross | 2,650 |
| 450 | 359 | Hasegawa | 460 |
| 975 | 077 | Heiwa Real Est. | 975 |
| 895 | 736 | Hitachi | 758 |
| 1,210 | 1,060 | Hitachi Credit | 1,090 |
| 1,660 | 1,910 | Honda | 1,530 |
| 769 | 680 | House Food | 755 |
| 2,460 | 1,950 | Hoya | 1,980 |
| 428 | 695 | Itoh (C) | 420 |
| 2,790 | 2,970 | Ito-Yokado | 2,690 |
| 1,480 | 861 | Iwatsu | 851 |
| 670 | 515 | JACCS | 550 |
| 7,200 | 4,850 | JAL | 6,800 |
| 826 | 660 | Jusco | 826 |
| 018 | 269 | Kajima | 515 |
| 852 | 724 | Kao Soap | 852 |
| 710 | 556 | Kashiyama | 665 |
| 743 | 645 | Kirin | 745 |
| 990 | 870 | Kokuyo | 978 |
| 479 | 433 | Komatsu | 450 |
| 748 | 601 | Konishiroku | 716 |
| 350 | 512 | Kubota | 629 |
| 643 | 310 | Kumagai | 017 |
| 7,100 | 4,530 | Kyocera | 4,530 |
| 630 | 455 | Maeda Const. | 605 |
| 1,450 | 1,020 | Makino Milling | 1,020 |
| 1,280 | 000 | Makita | 1,000 |
| 657 | 300 | Marubeni | 349 |
| 649 | 540 | Marudai | 634 |
| 1,190 | 952 | Marui | 1,120 |
| 1,690 | 1,400 | MEI | 1,416 |
| 820 | 593 | M'ta Elec. Works | 820 |
| 1,876 | 1,356 | M'bishi Bank | 1,590 |
| 647 | 019 | M'bishi Corp | 638 |
| 410 | 861 | M'bishi Elect | 381 |
| 779 | 359 | M'bishi Estate | 779 |
| 291 | 934 | MHI | 289 |
| 369 | 324 | Mitsui Co. | 362 |
| 840 | 599 | Mitsui Estate | 837 |
| 604 | 365 | Mitsukoshi | 604 |
| 955 | 819 | NGK Insulators | 850 |
| 298 | 216 | Nihon Cement | 293 |
| 1,480 | 1,280 | Nippon Denso | 1,300 |
| 1,250 | 1,000 | Nippon Elect | 1,080 |
| 417 | 329 | Nippon Express | 419 |
| 2,400 | 1,330 | Nippon Gakki | 1,460 |
| 143 | 166 | Nippon Kokan | 137 |
| 907 | 774 | Nippon Oil | 861 |
| 693 | 550 | Nippon Seiko | 565 |
| 638 | 520 | Nippon Shimpan | 618 |
| 151 | 143 | Nippon Steel | 150 |
| 672 | 325 | Nippon Suisan | 362 |
| 12,060 | 9,360 | NTV | 10,500 |
| 286 | 226 | Nippon Yusen | 980 |
| 665 | 602 | Nissan Motor | 310 |
| 548 | 452 | Nisshin Flour | 516 |
| 184 | 166 | Nisshin Steel | 166 |
| 1,390 | 885 | Nomura | 1,140 |
| 1,430 | 1,060 | Olympus | 1,190 |
| 3,540 | 2,690 | Orient Leasing | 9,900 |
| 3,270 | 1,590 | Pioneer | 1,690 |
| 691 | 602 | Renown | 690 |
| 977 | 860 | Ricoh | 923 |
| 1,390 | 980 | Sankyo | 1,380 |
| 499 | 498 | Sanyo Elect. | 428 |
| 492 | 599 | Sapporo | 485 |
| 693 | 535 | Sekisui Prefab | 693 |
| 6,440 | 8,450 | Seven Eleven | 8,850 |
| 1,180 | 215 | Sharp | 910 |
| 769 | 685 | Shimadzu | 744 |
| 849 | 642 | Shionogi | 849 |
| 1,290 | 1,040 | Shiseido | 1,120 |
| 6,020 | 3,460 | Sony | 4,220 |
| 1,070 | 870 | Stanley | 276 |
| 1,860 | 1,600 | Sumitomo Bank | 1,836 |
| 957 | 823 | S'tomo Elect. | 223 |
| 684 | 548 | S'tomo Marine | 680 |
| 158 | 143 | S'tomo Metal | 147 |
| 527 | 450 | Taihei Dengyo | 500 |
| 857 | 195 | Taisei Corp | 237 |
| 1,440 | 960 | Taisho Pharm. | 1,200 |
| 948 | 757 | Takeda | 881 |
| 6,850 | 4,630 | TDK | 4,880 |
| 472 | 429 | Teijin | 458 |
| 810 | 621 | Teikoku Oil | 786 |
| 919 | 700 | Tokyo Marine | 910 |
| 862 | 761 | TBS | 862 |
| 2,040 | 1,440 | Tokyo Elect. Pwr. | 2,040 |
| 917 | 160 | Tokyo Gas | 613 |
| 770 | 638 | Toyko Sanyo | 669 |
| 891 | 694 | Tokyo Style | 880 |
| 426 | 301 | Tokyu Corp | 410 |
| 900 | 845 | Toppan Print | 863 |
| 565 | 426 | Toray | 481 |
| 435 | 360 | Toshiba Elect. | 363 |
| 740 | 625 | TOTO | 730 |
| 1,060 | 807 | Toyo Seikan | 1,000 |
| 1,380 | 1,200 | Toyota Motor | 1,230 |
| 3,440 | 1,740 | Victor | 1,760 |
| 740 | 377 | Wacoal | 711 |
| 835 | 680 | Yamaha | 730 |
| 4,360 | 2,600 | Yamanouchi | 5,060 |
| 760 | 310 | Yamazaki | 760 |
| 015 | 351 | Yasuda Fire | 512 |
| 490 | 410 | Yokogawa Bdge. | 490 |

## SINGAPORE

| 1985 High | Low | May 31 | Price $ |
|---|---|---|---|
| 1.86 | 1.6 | Boustead Hldgs. | 1.67 |
| 2.76 | 2.42 | Cold Storage | 6.48 |
| 3.4 | 4.98 | DBS | 6.2 |
| 6.5 | 4.7 | Genting | 6.3 |
| 2.56 | 1.88 | Haw Par. Bros. | 2.38 |
| 0.52 | 2.87 | Hong Leong Fin. | 2.98 |
| 2.74 | 2.35 | Inchcape Bhd. | 2.49 |
| 1.9 | 1.41 | Keppel Shipyard | 1.59 |
| 6.45 | 5.5 | Malay Banking | 6.6 |
| 8.0 | 9.9 | Malay Utd. Ind. | 2.56 |
| 1.00 | 0.86 | Multi Purpose | 6.89 |
| 9.35 | 8.3 | OCBC | 9.35 |
| 4.60 | 6.52 | OUB | 6.54 |
| 1.78 | 1.49 | Public Bank | 1.51 |
| 2.16 | 1.63 | Sime Darby | 2.06 |
| 6.86 | 3.7 | Singapore Press | 6.15 |
| 4.74 | 4.29 | Straits Trdg. | 4.44 |
| 2.95 | 2.65 | Tata Lee Bk. | 2.6 |
| 4.56 | 4.19 | UOB | 4.38 |

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

# WORLD STOCK MARKETS

## OVER-THE-COUNTER

Continued from Page 26

## Indices

### NEW YORK — DOW JONES

| | May 31 | May 30 | May 29 | May 28 | May 24 | 1985 High | 1985 Low | Since Compil'n High | Since Compil'n Low |
|---|---|---|---|---|---|---|---|---|---|
| ♦Industr'ls | 1315.41 | 1305.78 | 1302.98 | 1301.97 | 1301.97 | 1315.41 (31/5) | 1184.96 (4/1) | 1315.41 (31/5/85) | 41.22 (2/7/32) |
| H'me Bnds | 78.95 | 78.58 | 78.46 | 78.25 | 77.92 | 78.93 (31/5) | 72.27 (20/3) | — | — |
| Transport. | 645.12 | 628.26 | 629.98 | 628.10 | 627.33 | 645.16 (31/5) | 593.03 (4/1) | 645.12 (31/5/85) | 13.32 (8/7/32) |
| Utilities | 163.32 | 162.29 | 162.12 | 162.22 | 161.98 | 164.75 (17/5) | 146.54 (4/1) | 164.75 (17/5/85) | 10.5 (28/4/42) |
| TradingVol 000's | 134,760 | 109,330 | 96,540 | 90,690 | 85,970 | — | — | — | — |

♦Day's High 1322.78 (1314.16) low 1298.79 (1295.91)

| | May 24 | May 17 | May 10 | year ago (approx) |
|---|---|---|---|---|
| Industrial div. yield % | 4.70 | 4.77 | 4.81 | 5.27 |

### STANDARD AND POOR'S

| | May 31 | May 30 | May 29 | May 28 | May 23 | 1985 High | 1985 Low | Since Comp'n High | Since Comp'n Low |
|---|---|---|---|---|---|---|---|---|---|
| Indust'ls | 209.85 | 208.01 | 208.14 | 208.74 | 208.04 | 212.23 (21/5) | 186.24 (4/1) | 212.02 (21/5/85) | 3.52 (30/6/32) |
| Comp's'te | 189.55 | 187.75 | 187.65 | 188.29 | 187.60 | 189.72 (20/5) | 163.68 (4/1) | 189.72 (20/5/85) | 4.40 (1/6/32) |

| | May 22 | May 15 | May 8 | year ago (approx) |
|---|---|---|---|---|
| Industrial div. yield | 3.74 | 3.84 | 3.89 | 4.83 |
| Industrial P/E ratio | 11.64 | 11.67 | 11.14 | 11.76 |
| Long Gov. Bond yield | 10.75 | 10.98 | 11.33 | 13.40 |

### N.Y.S.E. ALL COMMON

| May 31 | May 30 | May 29 | May 28 | 1985 High | 1985 Low |
|---|---|---|---|---|---|
| 109.33 | 108.75 | 108.09 | 108.75 | 109.73 (20/5) | 94.60 (4/1) |

### Rises and Falls

| | May 31 | May 30 | May 29 |
|---|---|---|---|
| Issues Traded | 2,214 | 1,988 | 2,000 |
| Rises | 1,054 | 768 | 787 |
| Falls | 530 | 715 | 722 |
| Unchanged | 430 | 505 | 491 |
| New Highs | 202 | 142 | 141 |
| New Lows | 15 | 22 | 16 |

### TORONTO

| | May 31 | May 30 | May 29 | May 28 | 1985 High | 1985 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 1984.7 | 1984.5 | 2003.0 | 2014.0 | 2190.07 (18/2) | 1896.2 (4/1) |
| Composite | 2736.5 | 2723.0 | 2735.1 | 2738.0 | 2736.7 (21/5) | 2348.5 (9/1) |
| MONTREAL Portfolio | 135.49 | 135.01 | 133.78 | 134.16 | 135.05 (21/5) | 117.00 (4/1) |

### World indices

| | May 31 | May 30 | May 29 | May 28 | 1985 High | 1985 Low |
|---|---|---|---|---|---|---|
| AUSTRALIA | | | | | | |
| All ord. (1/1/80) | 875.4 | 974.6 | 979.4 | 985.1 | 994.5 (20/5) | 710.3 (7/1) |
| Metals & Mnls. (1/1/80) | 537.7 | 539.5 | 542.9 | 558.5 | 583.8 (20/5) | 362.5 (7/1) |
| AUSTRIA | | | | | | |
| Credit Aktien (2/1/62) | 98.45 | 98.32 | 97.89 | 97.27 | 98.45 (31/5) | 58.21 (24/1) |
| BELGIUM | | | | | | |
| Brussels SE (1/1/80) | 2364.78 | 2348.51 | 2345.45 | 2335.88 | 2364.78 (31/5) | 2090.7 (18.1) |
| DENMARK | | | | | | |
| Copenhagen SE (3/1/83) | — | 190.87 | 151.46 | 192.20 | 193.84 (24/5) | 158.44 (8/1) |
| FRANCE | | | | | | |
| CAC General (31/12/82) | 233.1 | 232.8 | 230.2 | 228.8 | 233.1 (31/5) | 190.9 (3/1) |
| Ind Tendance (28/12/84) | 130.4 | 130.1 | 128.9 | 127.7 | 130.4 (31/5) | 100.1 (3/1) |
| GERMANY | | | | | | |
| FAZ Aktien (31/12/58) | 458.28 | 450.85 | 448.19 | 456.63 | 458.28 (31/5) | 382.59 (3/1) |
| Commerzbank (1/12/53) | 1345.7 | 1321.5 | 1310.1 | 1304.2 | 1345.7 (31/5) | 1111.9 (3/1) |
| HONG KONG | | | | | | |
| Hang Seng Bank (31/7/64) | 1613.87 | 1621.66 | 1597.71 | 1570.34 | 1347.68 (17/5) | 1220.74 (2/1) |
| ITALY | | | | | | |
| Banca Comm Ital. (1972) | 307.87 | 311.18 | 311.84 | 309.92 | 320.61 (23/5) | 228.56 (2/1) |
| JAPAN** | | | | | | |
| Nikkei-Dow (16/5/49) | 12758.4 | 12780.3 | 12787.2 | 12694.9 | 12790.3 (30/5) | 11545.2 (5/1) |
| Tokyo SE New (4/1/68) | 997.03 | 1000.07 | 997.91 | 992.35 | 1006.96 (22/5) | 916.95 (4/1) |
| NETHERLANDS | | | | | | |
| ANP-CBS General (1970) | 211.4 | 210.5 | 216.6 | 210.7 | 213.0 (8/5) | 185.8 (3/1) |
| ANP-CBS Indust (1970) | 172.8 | 172.1 | 171.3 | 171.0 | 178.2 (7/5) | 147.6 (3/1) |
| NORWAY | | | | | | |
| Oslo SE (4/1/83) | 345.02 | 338.93 | 338.20 | 336.28 | 345.9 (8/2) | 286.16 (2/1) |
| SINGAPORE | | | | | | |
| Straits Times (1966) | 812.41 | 817.16 | 816.92 | 915.20 | 952.55 (7/5) | 784.58 (19/1) |
| SOUTH AFRICA | | | | | | |
| JSE Gold (28/9/78) | — | (u) | 1020.3 | 1039.8 | 1140.8 (15/4) | 856.1 (11/2) |
| JSE Indust (28/9/78) | — | (u) | 967.8 | 970.0 | 975.6 (24/5) | 787.1 (7/6) |
| SPAIN | | | | | | |
| Madrid SE (28/12/84) | 109.59 | 109.75 | 109.23 | 109.61 | 117.41 (4/2) | 101.49 (2/1) |
| SWEDEN | | | | | | |
| Jacobson & P (1/1/58) | 1572.06 | 1578.26 | 1570.50 | 1584.61 | 1486.99 (11/2) | 1391.50 (2/1) |
| SWITZERLAND | | | | | | |
| SwissBank Cpn. (31/12/58) | 452.9 | 452.7 | 451.1 | 452.5 | 456.8 (24/5) | 388.7 (3/1) |
| WORLD | | | | | | |
| Capital Intl. (1/1/70) | — | 211.3 | 219.6 | 210.2 | 212.8 (20/5) | 194.6 (4/1) |

** Saturday May 25: Japan Nikkei-Dow 12,593.76. TSE 986.32.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Mid-So Uti | 3,255,500 | 14¼ | — |
| Lilco | 2,799,500 | 8¾ | +1⅞ |
| United Air | 2,525,800 | 53¾ | +4¼ |
| ATT | 2,008,600 | 23⅞ | + ⅛ |
| Xerox | 1,983,000 | 50 | + ⅞ |
| Sears Roebuck | 1,956,700 | 38⅞ | + ⅛ |
| Occidental Pet | 1,836,800 | 31⅛ | + ⅛ |
| Ohio Ed | 1,744,200 | 15⅛ | + ⅛ |
| Nabisco | 1,596,600 | 82⅞ | +2⅞ |
| Archer-Dan | 1,488,800 | 22½ | + ⅛ |

## WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's time table.

TODAY

COMPANY MEETINGS—
Booker McConnell, Great Eastern Hotel, Liverpool Street, EC, 12.00
Kennedy Brookes, Maxims de Paris, Clareville House, 31-35, Panton Street, SW, 10.30
Laird Group, Browns Hotel, Dover Street, W, 12.00

BOARD MEETINGS—
Finals:
Alflow Streamlines
FKI Elecs
TR Natural Resources Inv Tst
Wassall (J. W.)
Interims:
Carlton Communications

DIVIDEND & INTEREST PAYMENTS—
AB Electronic Products 2p
Ahmanson (H. F.) 30cts
Amdahl Corp 5cts
Ashdown Inv Tst 3½pcPf 1.225p
Beckman (A.) 1.95p
Bell (Arthur) 1.E5p
Burnley (Borough of) 12pc 1987 6¼pc
Consultants (Computer & Fin) 0.15p
Continental & Industrial Tst 5½pcPf 1.925p
English Property Corp 7pcLn 1998-2002 3½pc
Enserch Corp 4cts
Erith 2p
Goodyear Overseas Fin 12½pc Gtd Nts 1987 6¼pc
Halstead (James) Group 1.5p
Inco 5cts
Ingersoll-Rand 65cts
Legal & General Group 14p
Lyles (S.) 2.5p
MCO Group 2p
Nationwide Bldg Soc 11pc 3/6/'85 5½pc
Do. 10¼pc 9/12/'8E 5⅛pc
Ocean Transport & Trading 3.35p
Republic Hldgs (Reg) 100cts
Do. (Br) 100cts
Senior Engineering Grp 0.75p
Stanley (A. G.) Hldgs 1.5p
Sunleigh Electronics 0.245p
TR Trustees Corp 4½pcPf 1.575p
Ultramar 6.5p
Wells Fargo Fltg Rate Sub Nts 2000 $74.27
Weston (George) 13½pc Nts 1/6/87 $135

TOMORROW

COMPANY MEETINGS—
Allebone & Sons, Oakley Road, Rushden, Northants, 12.00
Beattie (James), 71-78, Victoria Street, Wolverhampton, 2.30
Blue Circle Inds, Inn on the Park, Hamilton Place, Park Lane, W, 12.00
Bowthorpe Hldgs, Gatwick Road, Crawley, W Sussex, 2.00
Hopkinsons Hldgs, Ladbroke Mercury Hotel, Ainley Top, Huddersfield, 12.00
Lamont Hldgs, North British Hotel, Princes Street, Edinburgh, 12.00
Office & Electronic Machines, 140-154, Borough High Street, SE, 12.00
Southampton, IoW & SOE Steam Packet, Polygon Hotel, Cumberland Place, Southampton, 12.30

BOARD MEETINGS—
Finals:
Atkins Bros (Hosiery)
Chapman Inds
De La Rue
Holden Hydroman
Morgan Communications
New Throgmorton Tst (1983)
Plysu
Time Prods
UKO Intnl
Interims:
Gieves
Hanson Tst
McCorquodale
Norcros
PLM

DIVIDEND & INTEREST PAYMENTS—
Allebone & Sons 1.25p
Anglo American Inv Tst 182.04386p
EFG Finance Fltg Rate Nts 1986 $249.17
Caltero Finance Gtd Fltg Rate Nts 1986 $49.92
Commercial Bank of Near East 30p
European Asian Capital Gtd Fltg Rate Nts 1987 $499.24
New Central Witwatersrand 2.02178p
Offshore Mining Gtd Fltg Rate Nts 1991 5p
Southampton, IoW & SOE Steam Packet 10p
Volvo AB A SKr 5.3. Do B SKr 5.3
Whatman Reeve Angel 6.6p
Young (H.) Hldgs 1.05p

WEDNESDAY JUNE 5

COMPANY MEETINGS—
Campari Intnl, Campari Hse, Priestley Way, Staples Corner, NW, 12.00
EIS Grp, Brewers Hall, Aldermanbury Square, EC, 12.00
Empire Stores (Bradford), Victoria Hotel, Bradford, 12.00
Lilley (F. J. C.), Holiday Inn, Argyle Street, Glasgow, 12.00
M. Y. Dart, Great Eastern Hotel, Liverpool Street, EC, 11.00
Mowlem (John) Westgate House, Ealing Road, Brentford, Middx, 11.00
Pearl Assurance, High Holborn, WC, 12.00
Ramco Oil Services, Skean Dhu Hotel, Altens, Aberdeen, 12.00
United Parcels, Overstone Solarium, Ecton Lane, Sywell, Northants, 12.00

BOARD MEETINGS—
Finals:
Brown and Jackson
Henderson Administration
Pegler-Hattersley
Reed Intnl
Sketchley
Interims:
Keystone Inv

DIVIDEND & INTEREST PAYMENTS—
Adwest Grp 1.6p
BSR Intnl 1.85p
Bentalls 1.75p
British Aerospace 8.4p
Chase Manhattan Fltg Rate Nts 2009 $249.17
Cons Gold Fields Fin Gtd Fltg Rate Nts 1995 £161.16
Damon Corp 5cts
General Foods Corp 0.625cts
Gillette 65cts
Korea Devel Bank Fltg Rate Nts 1989 $50.58
Laidlaw Grp 1.4p
Local Authority 10⅝pc 5/6/85 5⁵⁄₁₆pc
Do. 10pc 11/12/85 5pc
McKechnie Bros 2.5p
Recoord 11cts
Svenska Cellulosa AB N/Res 9 Skr 2.5
Travis & Arnold 5.97p

THURSDAY JUNE 6

COMPANY MEETINGS—
Cluff Oil, Browns Hotel, Dover Street, W, 10.30
Etam, Barber-Surgeons Hall, Monkwell Sq, Wood Street, EC, 12.00
Folkes Grp, Plough & Harrow Hotel, 16, Hagley Road, Edgbaston, Birmingham, 12.00
Laing (John), Dacorum District Council Pavilion, Marlowes, Hemel Hempstead, 2.15
Marlborough Property Hldgs, Howard Hotel, Temple Place, WC, 11.30
Martin (Albert) Hldgs, Swallow Hotel, South Normanton, Derbyshire, 11.1E
Owen Owen, Clayton Sq, Liverpool, 11.30
Palma Grp, Grand Hotel, Leicester, 12.00
Rush & Tompkins Grp, Royal Automobile Club, 89, Pall Mall, SW, 12.1E
Scapa Hldgs, North Tyne Industrial Est, Longbenton, Newcastle upon Tyne, 12.00
Spear (J. W.), Richard House, Eastone Road, Green Street, Enfield, Middx, 12.00

BOARD MEETINGS—
Finals:
Brownlee
Buffelsfontein Gold Mng
Century Oils
Habitat Mothercare
LCP
Trans-Natal Coal
Walker (C. and W.)
Interims:
Grootvlei Propy Mines
Irish Distillers
Marievale Consd Mines
Nottingham Brick
St Helena Gold Mines
Smart (J.)
Stilfontein Gold Mng
Utd Spring and Steel
West Rand Consd Mines

DIVIDEND & INTEREST PAYMENTS—
Automotive Prods. 10.4pcDb 1996-2001 6.2pc
Avon Rubber 7½pc1stDb 1985-90 3¾pc
Brammer 5.25p
Cadbury Schweppes 9pc1stDb 1988-93 4½pc
Chemical New York Gtd Fltg Rate Sub Nts 1996 $246.95
First Interstate O'seas Gtd Fltg Rate Sub Nts 1995 $200.76
Ford Intnl Cap Corp 7¼pcLn 1980-85 3⅝pc
Freemans 3.5p
Glynwed Intnl 7½pcDb 1989-94 2¾pc
Greenall Whitley 4½pcDb 1987-92 2¼pc
Do. 7¼pcDb 1986-91 3⅝pc
K Shoes 7½pcDb 1986-91 3¾pc
Ladbroke Grp 8pcLn 1990-92 4pc
Lloyds Eurofinance Gtd Fltg Rate Nts 1992 $251.2
Local Authority 11⅛pc 4.12.89 5⁹⁄₁₆pc
Metal Closures Grp 7½pcDb 1986-91 2¾pc
Newhome-Veritas 9½pcDb 1993-98 4¾pc
Ramco Oil Services 0.45p
Rockware Grp 7pcDb 1988-92 2½pc
SGB Grp 9¼pcDb 1991-94 4⅝pc
Scott & Robertson 1.6p
Watney, Mann & Truman 7pcDb 1988-92 3½pc
Wells Fargo Fltg Rate Sub Nts 1994 $250.76

FRIDAY JUNE 7

COMPANY MEETINGS—
Bramall (C. D.), Norfolk Gardens Hotel, Hall Ings, Bradford, 2.00
Cory (Horace), 17, Southampton Place, W, 12.00
Dewhirst (I. J.) (Hldgs), Royal York Hotel, 12.00
Gill & Duffus Grp, Baltic Exchange, 14-20, St Mary Axe, EC, 12.00
Hall (Matthew), Matthew Hall House, 7, Baker Street, W, 12.00
Harris Queensway, Harris House, 76, High Street, Orpington, Kent, 10.00
House of Lerose, Metropole Hotel, National Exhibition Centre, Birmingham, 12.00
Hunter, Hilsdown House, 32, Hampstead High Street, NW, 11.00
Ladbroke Grp, Westmoreland Hotel, Lodge Road, NW, 11.00
SMC Grp, Hyatt Carlton Tower Hotel, Cadogan Place, SW, 11.30
Rugby Portland Cement, Crown House, Rugby, 12.30
Scottish Television, Cowcaddens, Glasgow, 12.00
White Hart Hldgs, Dartington Hall, Totnes, Devon, 6.30
Williams Hldgs, Chateau Impney Hotel, Droitwich Spa, Worcs, 12.00

BOARD MEETINGS—
Finals:
GT Global Recovery Inv Tst
Somic
Interims:
English China Clays
Piccadilly Radio

DIVIDEND & INTEREST PAYMENTS—
Air Call 2.75p
Alcan Aluminium 5cts
Anchor Chemical Grp 3p
Aquascutum Grp 1.5p
Do. A 1.5p
Do. 7½pcPf 1.75p
Bank of Scotland 9.25p
Boeing Co 40 5cts
Border & Southern Stockholders Tst 1.3p
Chepstow Racecourse 1p
Chubb 8½pcLn 1987-92 4¼pc
Highland Distilleries 0.55p
Homestake Mining 5cts
Lendu Hldgs 1p
Lilley (F. J. C.) 2.44p
Local Authority 10pc 5/6/'85 5pc
Do. 10½pc 4/12/'85 5¼pc
Marlborough Property Hldgs 0.35p
Midland Intern Fin Gtd Fltg Rate Nts 1992 $249.62
Nu-Swift Inds 1.9p
Pineapple Dance Studios 1.5p
Town & City Properties 7½pc1stDb 1997-2002 3¾pc
Tove & Co 3p
UDO Hldgs 1.25p
United Parcels 2.2p

SATURDAY JUNE 8

COMPANY MEETINGS—
Nardia & Peacock, Richmond Hill Hotel, Richmond, 11.30

## INSURANCE

# Computers help launch exercise in cost-cutting

BY ERIC SHORT

THE PAST few years have seen a series of disasters for UK composita insurance groups. Attention has been focused on the bloodbath in the U.S. insurance market, but the UK bas been a far from bappy ground for insurers. Underwriting losses bave been the worst ever and second in size only to those of the U.S.

Insurance chief executives have bewailed the weather conditions and the deterioration in social habits which have resulted in more adverse weather claims, subsidence claims, theft claims and big fires, many caused by arson.

In the heyday of UK insurance, the reaction of companies would bave been to increase premium rates—though operating margins in premiums were large enough to absorb fluctuations and many premium rates remained unchanged for decades.

However, the keen and growing competition for business, combined with high interest rates and strong underlying assets values, have blocked this solution. Companies have been forced to look at ways of controlling expenses, the only factor in the composition of the operating ratio under the control nf individual companies.

In conjunction with the hostile environment for insurers, there have been changes in methods of operation. Advances in technology, combined with the growing sophistication of computer systems, have made many clerical jobs ln the industry obsolete.

Companies do not need large numbers of people in bead offices located in the City. The bulk of administration services can be carried out in locations where operating costs, including rents, are mnch lower. Administration centres can be linked to each other and to the central computer so information can be moved in several directions with speed.

Recent initiatives by Commercial Union, the most troubled of the UK composites, have been well publicised. It has relocated most of its head office staff from Central London to Croydon, where its mainframe computer was sited, and to Basildon. The bead office staff has been cut by 15 per cent.

In the early 1960s, insurance companies were steadily expanding their branch network. The mergers and takeovers of the late 1960s meant the new insurance grouping was duplicating branches. The developments of the past few years have forced companies to reverse this and reorganise their branch structure.

An insurance Inspector no longer has a sub-branch, with its attendant clerical staff, situated in his home town. Under the reorganisation, the inspector has to make greater use of his car in the area he covers and to keep contact with the branch which services him.

General Accident, Britain's largest motor insurer, had no need to relocate its head office, since this has always been in Perth. But it has embarked upon a rationalisation of its branch structure, closing down some 70 sub-branches, many in remote areas.

General Accident has shed some 1,000 staff. CU, which bas also taken the opportunity to rationalise its branch structure, has reduced branch numbers by a third to 120. Staff numbers have been cut by some 10 per cent at CU's branches, resulting in a redaction of about 1,200 staff members on the general insurance side.

This pattern is repeated in all composite insurance groups, though some companies started the process earlier than others. Eagle Star, part of BAT Industries, has reduced its number of branches and sub-branches from 172 to about 130, with more closures in the pipeline.

How have insurance groups coped with the human angle? One is used to reading about wbolesale enforced redundancies in the industrial sector. It appears, however, that insurance groups have achieved these staff rednctions without widespread compulsory redundancy.

Many were female clerical staff, among whom the natural wastage rate is generally high.

This could have resulted in a top-heavy, elderly workforce, so to restore the balance, companies have been running a system of voluntary redundancles and early retirement.

Insurance companies are handling increased general insurance business with fewer staff thanks to the new technology. However, many companies feel there is little scope for further staff reductions.

## CONSTRUCTION CONTRACTS

# Balfour Beatty wins City block

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

BALFOUR BEATTY has been awarded a £27m contract tn build the Ropemaker Place office blocks which are Norwich Union's biggest single commercial property investment.

Ropemaker Place, which will have an investment value of about £100m when it is completed in 1987, is being built on the island site of British Petroleum's old headquarters, Britannia House, at 25/30 Ropemaker Street on the northern edge of the City of London.

Balfour Beatty was awarded the contract by London and Metropolitan Estates, which is jointly owned by Balfnur Beatty and London and Edinburgh Trust.

The development consists of two linked office blocks of 133,000 square feet and 122,000 square feet, designed to give a "prestigious and high-profile identity" to a finance company.

The buildings will heve light grey polyester-coated aluminium cladding, echoing the grey and burgundy Ropemaker Place livery which will be repeated throughout, including the marble floors.

They will also beve roof terraces on the fourth tn tenth floors, an entrance hall with a water garden, and scenic lifts gning np the outside of the building.

Other Norwich Union-funded projects built by Balfour Beatty inclnde the £14.5m Trinity Centre over the main railway at Aberdeen, a £2m contract to build the Spring Gardens offices in Manchester, and the £3.6m Quadrant centre in Redhill.

● Balfour Beatty has also won its eighth contract from McDonalds Restaurants for £736,000, to refurbish premises in Lord Street, Liverpool into a hamburger bar.

The contract, won in competitive tender, is dne to be completed in 20 weeks. According to Balfour Beatty, speed is a vital factor in winning work from McDonalds. The contracts all involve gutting and refitting buildings and working at high speed, planning and co-ordinating subcontractors from tiling to carpentry to installing kitchen equipment, tn complete a new restaurant within weeks.

## Refurbishment keeps Mansell busy

R. MANSELL, Croydon, has been awarded a variety of contracts totalling nearly £7m for refurbishment, repair, maintenance and minor works. Largest is worth nearly £2.3m for the National Audit Office at Victoria Air Terminal, Buckingham Palace Road, SW1, involving fitting ont and finishing to 200,000 sq ft of office space, 35 toilets and six staircases. Office work includes fitting partitions, suspended ceilings, secondary glazing and carpeting. Work is dne for completion in November.

At Clapham College, Mallwood Road, SW12, for the trustees of the Roman Catholic Diocese of Southwark, a £1.12m contract has been won for internal alterations and building an escape staircase and single-storey extension. Completion is due in December 1986. At Brecknock Estate, Brecknock Road, N7, conversion of 34 flats into 28 maisonettes, installation of a lift shaft and landscaping under a contract worth nearly £1m for the London Borough of Islington. Work starts on June 17 and is due to complete 56 weeks later. Alterations and enlargement worth £260,000 to La Tante Claire restaurant at 68 Royal Hospital Road, SW3. Work is due to complete on August 30.

Forming a safe deposit complex at basement and ground floor level in e contract worth £270,000 at 571/575 Finchley Road, Hampstead, NW3 for Hampstead Safe Deposit Vaults. Work is due to finish in December. At Peldon Court, Sheen Road, Richmond, £230,000 external repairs and redecorations for the London Borough of Richmond-upon-Thames. For the London Borough of Hounslow, £240,000 roof replacement et Harnaga House, Clayponds Lane, Brentford, Middlesex. A £275,000 office refurbishment for Lowndes Lambert Group at 53 Eastcheap, EC3 and £120,000 alterations to Lloyds Bank at Leadenhall Street, EC3, completes the list. In addition, orders worth over £1m have been received for Mansell building maintenance and minor works division.

## R. McAlpine starts Butlers Wharf project

Following signing a £36m contract in 1984 with Butlers Wharf, SIR ROBERT McALPINE & SONS has started on a project which will revitalise and redevelop the Butlers Wharf area of London Docklands, adjacent to Tower Bridge.

First phase of the development, valued at £3.85m is underway. This covers the conversion of an existing eight-storey worehonse into 66 apartments due for completion in September 1986.

Majority of the apartments, ranging in size from studios to three bedroom/two bathroom penthouses, will overlook St Saviours Dock.

Tha existing building is of concrete-cased steel frame construction, which will be re-clad with a brick facada with balconies, to provida 8100 sq metres gross of residential area, together with car parking for about 70 vehicles, access and service areas and a roof garden.

★

An access road to Salalab village, Abu Dhabi, is to be built by one of George Wimpey's associated companies, AL WIMPEY ROAD AND CONSTRUCTION (ABU DHABI), for the Al Ain Municipality on behalf of the Government of Abu Dhabi. To be completed by October, the company will build about 3½ miles of two-lane road and associated parking areas plus a reinforced-concreta culvert. Contract value is ovet £2m.

★

CLUGSTON CONSTRUCTION has awarded contracts totalling £2.1m. These include road and bridgeworks at Swinton for Rotherham Metropolitan Council, concrete repairs to the A1 at Tuxford for the Department of Transport, and reconstruction of a road bridge in Peterborough which forms part of British Railways East Coast railway electrification project.

## New weights and measures laboratory

A new building for the National Weights and Measures Laboratory is to be built on part of the National Physical Laboratory site in Teddington. Awarded to JOHN MOWLEM AND CO. tha contract is worth about £3.3m. Completion is expected in September 1986. The work is for the Property Services Agency of the DoE. The National Weights and Measures Laboratory tests for accuracy the standards of length, mass and capacity held by the 93 local authority trading standards departments. It is the reference laboratory for the measurement by voluma on which all the quantities of beer, spirits, petrol and oil are based. The laboratory currently occupies premises in London, but these have become inadequate for its present needs.

★

A £2m resurfacing contract at A & AEE, Boscombe Down, has been awarded to R. J. MAXWELL & SON, of Coleraine, N Ireland. Client is the Property Services Agency of the DOE, and contract period is from July 1 to September 30. Maxwell & Son is a wholly-owned subsidiary of the TBF Thompson (Garvagh) group. The contract is for resurfacing runway 06-24. Work will involve planing off an existing friction course, supplying and laying 40mm Marshall asphalt wearing course, applying and re-laying a 20mm friction course, and ancillary works.



## Welsh trunk road will cost £14m

A £14.3m contract for construction of a dual carriageway to improve the A48 London to Fishguard trunk road near Carmarthen in South Wales has been awarded by the Welsh Office to the THYSSEN-TAYWOOD JOINT VENTURE, comprising Thyssen GB and Taylor Woodrow Construction. Work starts this month for completion in September 1986.

The contract calls for 8 miles of dual carriageway east of Carmarthen to bypass Cross Hands. The new road will connect an existing dual carriageway ending at Cwmgwili to the existing A48 near Llanddarog.

Included is a roundabout, two pedestrian subways, realignment of side and access roads, construction of two single-span road bridges, excavation and placing of more than 1.5m cu metres of material and sealing five abandoned mines.

★

TILBURY CONSTRUCTION has orders totalling over £2.8m. Largest is worth £1.3m and is for sewerage work for the London Borough of Bromley. Work has already begun on this job which is at Beckenham and is expected to last for two years. At Devonport, Tilbury has won a contract worth £351,000 at tha naval base. This job should be completed in 26 weeks. The West Country Housing Association has awarded a £290 000 order for construction of 20 flats in two blocks at Bronshill Road, Torquay. Work will take 40 weeks, and is being funded by the WCHA. There are four contracts—worth a total of £600,000—from water authorities. Two of these come from Thames Water Authority and involve construction of a pumping station at Woodley Airfield and bank protection work on the River Lea at Stratford, East London. For the Southern Water Authority Tilbury is to carry out culvert work on the Par Brook flood relief schema in Billingshurst, Sussex, and remedial work at tha Slade Reservoir near Ilfracombe, Devon, is to be undertaken for the South West Water Authority.

★

ALLEN BUILDING, Wigan, has secured contracts worth more than £2m. These include a contract, worth over £1m, for the alteration, extension, and refurbishment of The Convent of Notre Dame at Parbold, and a replacement school and community centre at Bacup for Lancashire County Council valued at £680,000.

# APPOINTMENTS

## Forward Trust Group head

Mr Peter Nicholson has been appointed chairman ond chief executive of FORWARD TRUST GROUP, a Midlend Bank company. This follows the departure of Mr Ian Paterson, who becomes chief executive, Midland domestic division at Midland Bank. Mr Nicholson is a general monager with the international division of Midland Bank. Also joining the board of Forward Trust is Mr Ian Cotterill, formerly controller of finance and planning, who became director, finance. Mr Graham Picken, who remains regional director, southern region until November, is to become director, field operations, based in Birmingham. He will be responsible for marketing and operations.

★

Sir Murray Fox has been elected president of CITY AND METROPOLITAN BUILDING SOCIETY in succession to the late Mr Fred Cleary. Mr John Smethers, a director of the society, succeeds Sir Murray as chairman.

★

Mr Peter Edwards has been appointed distribution director by HONEYWELL INFORMATION SYSTEMS. He was previously bead of information systems division at Rank Xerox.

★

THROUGH TRANSPORT MUTUAL SERVICES, London agents of the managers of the TT Club has appointed to its board: Mr Phillip Bennett, Mr Mark Holford, Mr Charles Mawdsley, Mr Paul Koronka, Mr John Strube and Mr Peter Swindells. With the exception of Mr Mawdsley and Mr Koronka, all the new directors work full time in TTMS.

★

R. A. EDWARDS & CO. (HOLDINGS), part of the Sturge Group, has appointed Mr D. M. W. Farley and Mr A. H. Greig as directors and Mr A. Johnston Brown as compony secretary. zhiorwardbwbfiCL!b

★

HONGKONG BANK group has appointed Mr Edward Clifton-Brown as manager of a new private banking department to service customers of the Hongkong and Shanghai Banking Corporation and the British Bank of the Middle East in the UK. Mr David Clasper aod Mr Peter Day bave been appointed assistant managers.

★

Mr R. P. L. McMurtrie has resigned as chairman and as a director of ELBAR INDUSTRIAL and its subsidiary companies, and becomes a consultant to the company. Mr. Peter Grant, a deputy chairman of Lazard Brothers and Co., has been elected a director and chairman of Elbar. Monsieur Etienne Allard has been elected executive deputy chairman and Mr Peter Timms managing director. Viscount Hood, Mr R. J. McNelle and Mr J. Berkeley Stewart bave resigned from the board.

★

THE EQUITABLE LIFE ASSURANCE SOCIETY intends to elect Professor Roland Smith as presideot in May, 1986, when the present president, Mr David L. Murison, is due to retire. Until then Professor Smith will be a vice-president. Professor Smith has been a director of The Equitable Life since 1976. Sir Ashley Ponsonby, who has been a vice-president of the society for a number of years, has stepped down from this post but will remain on the board until his retirement in May, 1986.

★

Mr Charles Tidbury, a director of Barclays Bank, has been appointed a non-executive director of MERCANTILE CREDIT. He was formerly chairman of Whitbread and Co.

★

CHAMBERS AND FARGUS has appointed Mr Charles L. Daly as a non-executive director, ond Mr C. Conrad Dobson becomes financial director.

★

Following the retirement of Mr Alwyne Mortimer, Mr Robert Wade has been appointed chairman and managing director of LEEDS GROUP. Mr Wade has been a director since 1963 and managing director since 1979.

★

Mr Nigel Beevor and Mr Michael Legge have been appointed assistant directors in the corporate finance department of CHARTERHOUSE JAPHET.

★

Mr Alan Gregory, chairman, BP Oil, and Sir David Wolfson, chairman, Steinberg Group, bave been appointed non-executive directors of STEWART WRIGHTSON HOLDINGS, and Mr George Jones, managing director of group subsidiary Stewart Wrightson (Surety & Specie), an executive director.

★

Mr Peter Nelkin, currently finance director of GROSVENOR SQUARE PROPERTIES GROUP, has been appointed joint managing director with the chairman, Mr Paul Marber.

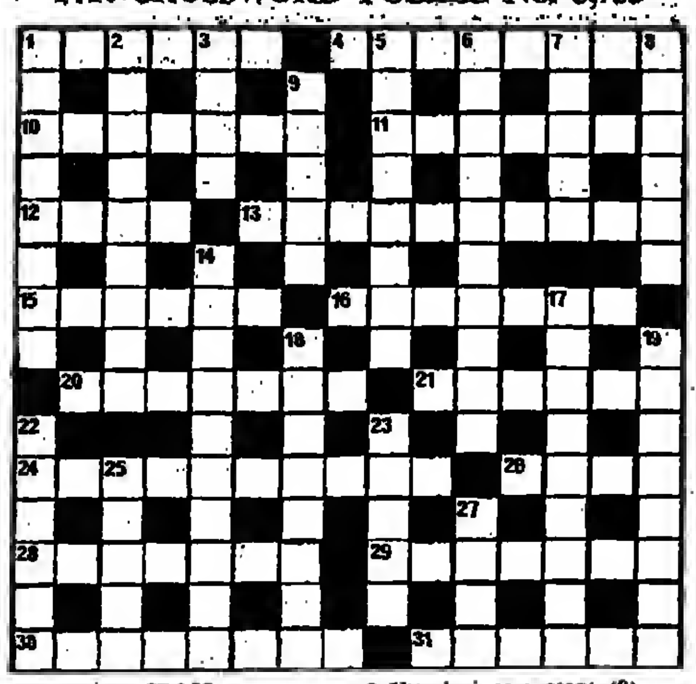
★

CAPEL-CURE MYERS, stockbrokers, has appointed Mr Robert Gale as a director of the institutional division, to enlarge the scope of the gilt edged department.

★

ARROW CHEMICALS, Swadlincote, has appointed Mr Tony Shaw to the board as marketing director.

## F.T. CROSSWORD PUZZLE No. 5,733



**ACROSS**

1 Such a word usually is (6)
4 Tommy's postscript disjointed possibly indicates illness (8)
10 Easily pulverised, using a bar file perhaps (7)
11 Put in charge at the lemonade factory? (7)
12 Gives us directions for Customs? (4)
13 Looking for scraps? (10)
15 Jabber and annoy (6)
16 Binds books (7)
20 Aims to get a ship round an awkward pier (7)
21 Fights for food left over (6)
24 Put on the rack and extract information? (4, 3, 3)
26 We hold a note for payment (4)
28 She accused her stepson—had rape taken place? (7)
29 Extremely important stations (7)
30 Where motorists go to practice skids? (4-4)
31 Old port for a painter (6)

**DOWN**

1 A loud and voluble description of a very rich society (8)
2 Utterly incompetent (9)
3 They're not excavated but dug only for fun (4)
5 New reign any desire (8)
6 The essence of unpredictability (4, 6)
7 Open-air party is best (5)
8 We take pains to please him (6)
9 Information given us in class (5)
14 There's nothing wrong with a closed shop in the monastery (3, 2, 5)
17 Issue half of them before a race (9)
18 Made rare concoction of sugar (8)
19 In a way it repays harshness (8)
22 A small department's skilled personnel (6)
23 Jaunt for a group of administrators (5)
25 You can count on them (5)
27 Newly born in Czechoslovakia (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.



## BUSINESSMAN'S DIARY

### UK TRADE FAIRS AND EXHIBITIONS

**Current**
Fine Art and Antiques Fair (01-385 1200) (until June 8) — Olympia
International Freight Industry Conference and Exhibition—WORLDFREIGHT (until June 6) (01-642 7688) — Met. Exhibition Hall, Brighton

**June 4-6**
Business Computer Show (01-643 8040) — Earls Court

**June 4-6**
Software Show (01-643 8040) — Earls Court

**June 5-9**
Bristol Boat Show (0272 293521) — Bristol Exhibition Centre

**June 9-13**
Shop Equipment and Display Exhibition — SHOPEX INTERNATIONAL (01-868 4499) — Olympia

**June 10-14**
International Mining Exhibition—MINING (0923 778311) — NEC, Birmingham

**June 11-15**
Mexican Exhibition and Confereoce (01-839 6586) MEXPO 85 — Novotel, W6

**June 12-14**
The Solicitors' and Legal Office Exhibition and Conference (01-995 3003) — Barbican Centre, EC2

**June 16-19**
Royal Highland Show (031-333 2444) — Ingliston Showgrnd, Edinburgh

**July 1-3**
Insurance Information Exchange—exhibition and seminar (01-831 6909) — City Conference Centre, EC3

**July 9-11**
National Education, Trainiog and Development Exhibition and Confereoce (01-637 2400) — NEC, Birmingham

**July 11-20**
World Wine Fair (01-222 9341) — Exhibition Centre, Bristol

**July 14-18**
Gift Trade Fair (0282 867153) — Exhibition Centre, Harrogate

**July 16-18**
Drives, Motors, Controls Exhibition (0799 26699) — Olympia

### OVERSEAS TRADE FAIRS

**Current**
International Air Show (01-439 3964) (until June 9) — Paris

**June 3-6**
ROBOTS 9 Conference and Exposition (U.S. (313) 271-7800) — Detroit

**June 10-15**
Internotional Energy Conservation Exhibition and Conference (01-968 4567) — Shanghai

**June 13-16**
International Computer Show for Office, Home, Hobby (01-930 7251) — Cologne

**June 18-22**
International Exhibition nf Machinery and Meterials for Packaging—ASIAPACK (01-683 1158) — Singapore

**June 26-28**
Info/Hong Kong Exhibition (01 891 5051) — Hong Kong

**July 15-20**
Total Energy Exhibition (01-968 4567) — Guangzhou

**July 17-25**
International Cultivation, Harvesting and Packaging in Viticulture, Horticulture ood Veg Growing Exhibition (0869 252131) — Kishinev

### BUSINESS CONFERENCES

**June 3-4**
FT Conference: Foreign exchange risk in 1985 (01-621 1355) — Hotel Inter Continental, W1

**June 10-11**
FT Conference: The Sixth Paper and Pulp Conference (01-621 1355) — Hotel Inter Continental, W1

**June 11-12**
EDANA: Italian nonwovens symposium (Brussels 02-734 93.10) — Milan

**June 11-12**
FT Conference: World Gold in 1985 (01-621 1355) — Lugano

**June 12**
Oyez: Supply, use and carriage nf goods—the implications of the new dangerous substances regulations (01-236 4080) — London

**June 14**
Management Forum: The future of the pbarmaceutical market in Great Britain (0483 570099) — Cafe Royal, W1

**June 17-18**
Economist Conference Unit: Multinational corporations (01-839 7000) — Park Lane Hotel, W1

**June 18**
B. J. O'Connor International: Japanese materials management (0932 51334) — Holiday Inn, Heathrow

**June 18-19**
FT Conference: World Electronics—Global Market Approach (01-621 1355) — Hotel Inter Continental, W1

**June 19-20**
Offshore Confereoces and Exhibition: Offshore tubular joints 1985 (01-549 5831) — Heathrow Penta Hotel

**June 19**
Business Research International: Interest rate options (01-637 4383) — Park Lane Hotel, W1

**June 24-25**
CommEd: Telecommunications—the European Future (01-733 3456) — Dorchester Hotel, W1

**June 26**
Financial and Business Exhibitions: Strategies for innovation (01-493 8000) — Tara Hotel, W8

**June 28**
The Institute for Fiscal Studies: Corporation tax (01-636 3784) — St. Ermins Hotel, SW1

**July 2**
Royal Institute of International Affairs: European Initiatives In Information Techoology (01-930 2233) — Chatham House

**July 3**
London Chamber of Commerce and Industry: "Venezuela—an oil economy. Prospects for British suppliers" (01-248 4444) — 69 Cannon Street, EC4

**July 8-10**
Frost and Sullivan: Development of structured software (01-486 0334) — Cumberland Hotel, London

**July 9**
The Indnstrial Society: Employing casual, part-time and temporary workers—implications of recent case law (01-839 4300) — London

**July 9-10**
FT Conference: Oil industry developments (01-621 1355) — London

**July 29**
Commonwealth Institute: The Commonwealth and the Law of the Sea (01-603 4535) — London

**July 28-31**
Kluwer Conferences: Marketing insurance (01-568 6441) — Cookham, Berks

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.*



# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

**Abbey Unit Tst. Mngrs. (a)**
1-3 St Paul's Churchyard, EC4P 4DX. 01-236 1833

| | | | | |
|---|---|---|---|---|
| High Income | | | | |
| Gilt & Fixed Int. | 108.8 | 115.1xd | -10.6 | 10.43 |
| High Inc Equity | 73.2 | 77.9 | | 6.38 |
| Worldwide Bond | 144.2 | 153.4 | +0.1 | 6.52 |
| Capital Growth | | | | |
| American Growth | 133.6 | 142.1 | +0.2 | 2.30 |
| Asian Pacific | 89.3 | 92.9 | −0.4 | — |
| Assets & Ernngs. Tt. | 76.4 | 82.7 | −0.6 | 2.67 |
| Capital Reserve | 57.1 | 57.4 | +0.1 | 0.74 |
| Commodity & Engy. | 71.1 | 76.4 | — | 3.39 |
| General | 105.9 | 113.3 | | 2.87 |
| Japan | 152.6 | 164.1 | −0.7 | 0.00 |
| UK Growth Acc Units | 106.8 | 114.8 | +0.3 | 1.91 |
| UK Growth Dist | 75.3 | 80.8 | +0.2 | 1.91 |
| U.S. Emerging Co's | 55.9 | 59.8 | +0.3 | 0.43 |
| Equity Prog. | 158.7 | 169.8 | −0.2 | 3.04 |

**Aitken Hume**
30, City Road, EC1Y 2AY. 01-628 6626

| | | | | |
|---|---|---|---|---|
| American Tech Fd | 109.0 | 116.7 | −0.5 | 0.10 |
| Pacific Fd | 124.7 | 133.4 | −0.4 | 0.20 |
| Secured Income Fd | 147.6 | 157.9 | +0.9 | 5.50 |
| Special Sits | 171.7 | 183.7 | +0.8 | 1.56 |
| Energy Fd | 38.7 | 41.4 | | 0.60 |
| American Majors | 59.3 | 63.4 | +0.3 | 1.56 |
| Small Co's Fd (Dist) | 30.1 | 32.2 | +0.9 | 1.97 |
| Jap Technology | 57.5 | 61.5 | −0.2 | 0.10 |
| International Income | 50.2 | 53.7 | — | 7.00 |
| Exempt | 471.7 | 504.7 | — | — |

[illegible]

CONTINUED OVERLEAF

# AUTHORISED UNIT TRUSTS & INSURANCES

### Pearl Trust Managers Ltd. (a)(g)(z)
252, High Holborn, WC1V 7EB. 01-405 8441

| | | | | |
|---|---|---|---|---|
| Pearl Growth Fd. | 64.0 | 68.2 | +0.1 | 3.12 |
| Accum Units | 94.7 | 100.7 | +0.2 | 3.12 |
| Pearl Inc | 87.6 | 93.2 | +0.1 | 5.35 |
| Pearl Unit Tst | 92.2 | 98.1 | -1.5 | 4.08 |
| (Accum. Units) | 156.0 | 166.0 | -0.1 | 4.08 |

### Perpetual Unit Trust Mngmt. (a) (z)
48, Hart Street, Henley on Thames. 0491 576868

| | | | | |
|---|---|---|---|---|
| Growth | 181.0 | 195.2 | +0.8 | 1.47 |
| Income | 137.1 | 148.8 | +2.2 | 5.49 |
| Worldwide Recovery | 105.1 | 112.8 | +0.8 | 2.00 |
| American Growth | 57.7 | 62.0 | | 0.67 |
| Intl Emerging Cos. | 58.0 | 63.1 | +0.1 | 0.79 |
| Far East Growth Fd. | 47.0 | 50.5 | -0.1 | 1.00 |

### Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544

| | | | | |
|---|---|---|---|---|
| Prolific Far East | 105.8 | 113.4 | -0.9 | 0.40 |
| Prolific Extra Inc | 62.5 | 66.5 | | 5.91 |
| Prolific Gilt Cap | 78.7 | 81.9xd | +0.1 | 3.36 |
| Prolific High Inc | 130.1 | 138 Acc | | 5.13 |
| Prolific Intl. | 85.8 | 91.9 | -0.3 | 1.58 |
| Prolific N. Amer. | 116.6 | 124.9 | +0.2 | 1.77 |
| Prolific Spec. Sits | 148.6 | 158.1 | | 1.28 |
| Prolific Technology | 112.3 | 120.3xd | -0.6 | 0.82 |

### Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

| | | | | |
|---|---|---|---|---|
| Japan Trust | 49.2 | 52.1 | +0.8 | 0.09 |
| Worldwide | 48.2 | 51.1 | +0.2 | 1.60 |
| European Trust | 47.4 | 50.2 | | 0.92 |
| North American | 52.0 | 55.8 | +0.3 | 1.11 |
| UK Equity | 48.9 | 51.8 | +0.1 | 3.08 |

### Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

| | | | | |
|---|---|---|---|---|
| Holborn Equity Tst | 324.1 | 346.1xd | -0.5 | 3.32 |
| Holborn Gilt Tst | 147.4 | 154.3xd | +0.4 | 9.06 |
| Holborn High Inc | 53.4 | 56.8 | | 8.14 |
| Holborn Intl | 56.7 | 60.3 | -0.8 | 0.55 |
| Holborn UK Growth | 63.4 | 61.4 | -0.1 | 1.80 |

### Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

| | | | | |
|---|---|---|---|---|
| Quadrant Gen. Fd | 321.6 | 342.2 | -0.8 | 3.48 |
| Quadrant Income | 182.0 | 191.6 | -0.5 | 6.24 |
| Quadrant Intl. Fund | 307.5 | 323.7 | | 1.51 |
| Quadrant Recovery | 199.9 | 210.5 | -0.6 | 2.14 |

### Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NY 01-628 6011

| | | | | |
|---|---|---|---|---|
| Wellington Inc. | 48.4 | 51.5 | | 6.00 |
| Wellington Growth | 99.9 | 106.3 | | 2.00 |

### Reliance Unit Mgrs. Ltd.
Reliance Hse, Tunbridge Wells, Kent. 0892 22271

| | | | | |
|---|---|---|---|---|
| British Life | 133.4 | 141.1 | +0.2 | 4.32 |
| Reliance Unit Tst (Inc) | 86.4 | 92.3 | +0.2 | 3.91 |
| Reliance Ut Tst (Acc) | 111.5 | 119.1 | +0.3 | 3.97 |

### Ridgefield Management Ltd.
35 Fountain St, Manchester M2 2AF. 061-236 5685

| | | | | |
|---|---|---|---|---|
| Income UT | 91.7 | 98.0xd | -2.8 | 6.92 |
| International UT | 219.0 | 234.2xd | -2.4 | 1.00 |

### N.M. Rothschild Asset Management
St Swithin's Lane, London EC4. 01-280 5456

| | | | | |
|---|---|---|---|---|
| NC America (Inc) | 232.7 | 244.9 | -2.6 | 1.36 |
| NC America (Acc) | 247.2 | 260.2 | -2.8 | 1.36 |
| NC Engy Res. Tst. | 170.4 | 179.3 | -0.3 | 2.29 |
| NC Inc Fd. | 327.9 | 345.1xd | -0.1 | 5.13 |
| NC Japan Fund | 109.6 | 115.3 | -0.5 | 0.02 |
| NC Smaller Cos | 108.8 | 114.5 | -0.3 | 2.00 |
| NC Smaller European | 102.7 | 108.0 | -0.1 | 0.81 |
| NC Exempt Gilt Tst* | £116.0 | 121.0 | | 11.18 |
| NC American Prop* | $11.21 | 11.80xd | | — |
| NC Prop.* | 185.0 | 194.3 | | — |

*Unauthorised Unit Trusts.

### Rowan Unit Trust Mngt. (a)
1 Finsbury Av, London, EC2M 2PA. 01-606 1066

| | | | | |
|---|---|---|---|---|
| American May 30 | 192.5 | 197.5 | | 1.55 |
| Securities May 28 | 569.0 | 584.0 | | 2.31 |
| High Yield May 24 | 130.0 | 133.5xd | -1.0 | 9.89 |
| Merlin May 29 | 274.0 | 282.0 | | 1.91 |
| Fixed Interest | 146.5 | 147.5 | +0.5 | 2.92 |
| High Interest | 178.5 | 119.5 | +0.5 | 12.44 |
| Far East May 28 | 123.0 | 126.5 | | 1.10 |

### Royal Life Fd. Mgmt. Ltd.
New Hall Place, Liverpool L69 3HS. 051-227 4422

### TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants, SP10 1PG
0264 62188. Dealings to 0264 63432-3

| | | | | |
|---|---|---|---|---|
| TSB American | 96.3 | 103.6 | +0.4 | 1.19 |
| Do. Accum | 100.2 | 106.6 | +0.3 | 1.19 |
| TSB Extra Income | 86.5 | 92.1 | -0.3 | 6.04 |
| Do Accum | 96.3 | 102.5 | -0.3 | 6.00 |
| TSB General | 119.7 | 127.3 | -0.1 | 3.30 |
| Do Accum | 191.0 | 203.1 | -0.1 | 3.30 |
| TSB Gilt & Fxd Int | 46.3 | 48.3xd | +0.1 | 9.01 |
| Do Accum | 55.9 | 58.3 | +0.1 | 9.87 |
| TSB Income | 159.7 | 169.9xd | | 4.98 |
| Do Accum | 241.0 | 256.4 | -0.1 | 4.98 |
| TSB Pacific | 107.3 | 114.2 | -0.4 | 1.09 |
| Do Accum | 109.1 | 116.1 | -0.4 | 1.09 |
| TSB International | 228.5 | 243.1xd | +0.3 | 1.90 |
| Do Accum | 278.1 | 295.9 | +0.3 | 1.90 |
| Natural Resources | 47.6 | 50.7 | -0.2 | 2.54 |
| Do Accum | 48.1 | 51.2 | -0.2 | 2.54 |
| TSB Sictd. Opps. | 47.7 | 50.8 | -0.2 | 2.42 |
| Do Accum | 51.3 | 54.6 | -0.2 | 2.92 |

### 3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks Aylesbury (0296) 5941

| | | | | |
|---|---|---|---|---|
| Small Co's Fund | 71.9 | 76.9xd | +0.9 | 0.10 |

### Target Trust Mngrs. Ltd. (x)(g)
Target Hse Gatehse. Rd, Aylesbury Bks (0296) 5941

| | | | | |
|---|---|---|---|---|
| American Eagle | 69.4 | 74.2xd | +0.2 | 0.19 |
| Australia | 27.8 | 29.7 | -0.3 | 0.10 |
| Commodity | 100.8 | 108.4 | +0.8 | 1.55 |
| Energy | 47.2 | 50.5 | +0.5 | 0.65 |
| Equity | 102.0 | 108.8 | +0.2 | 1.70 |
| European Spec. Sits | 49.6 | 53.1 | +0.2 | 0.94 |
| Extra Income | 91.4 | 97.8 | +2.1 | 7.32 |
| Financial | 201.8 | 215.2xd | -2.4 | 2.97 |
| Gilt Capital | 211.7 | 221.7 | -0.7 | 3.25 |
| Gilt Income | 100.8 | 105.6xd | +0.2 | 9.21 |
| Gold Income | 65.2 | 69.1xd | +0.4 | 4.11 |
| Gold Acc. | 111.9 | 126.1 | +0.8 | 4.11 |
| Income | 59.5 | 64.0xd | -0.4 | 5.85 |
| Japan | 45.4 | 48.4 | +0.6 | 0.10 |
| Malaysia & Singapore | 27.7 | 29.5 | +0.5 | 0.90 |
| Pacific Income | 70.1 | 75.0 | +0.7 | 1.03 |
| Pacific Re Inv | 85.1 | 91.0 | +0.8 | 1.03 |
| Preference Share | 15.6 | 16.8 | +0.2 | 10.29 |
| Professional | 490.7 | 523.4 | -0.2 | 1.97 |
| Special Sits | 88.2 | 94.3 | +0.3 | 1.83 |
| Technology | 42.5 | 45.5 | -0.1 | 0.1 |
| U.S. Special Bond | 49.6 | 53.0 | | 6.27 |
| Worldwide Capital | 112.4 | 119.9 | +0.2 | 1.70 |
| Equity Exempt May 29 | 629.9 | 671.9xd | | 2.50 |
| Equity Ex Acc May 29 | 1157.8 | 1235.0 | | 2.50 |

### Temple Bar Unit Trust Mgrs Ltd
Electra Hse, Temple Pl, Vic Emb, WC2. 836 7766

| | | | | |
|---|---|---|---|---|
| Electra Small Cos. Fd. | 123.62 | 130.42 | | 3.74 |
| High Income | 41.4 | 44.4xd | | 7.61 |
| North American | 107.5 | 114.4 | -2.8 | 0.61 |
| Recovery | 118.1 | 125.6xd | +0.3 | 3.94 |
| Gilt Trust | 36.9 | 38.2xd | +0.2 | 9.98 |
| St Vincent U.S. Gwth | 70.2 | 73.2 | -1.2 | 0.84 |
| St. Vincent High Inc | 68.0 | 70.1 | +0.2 | 6.24 |

### Touche, Remnant Unit Trust Mngt. Ltd.
Mermaid Hse, 2 Puddle Dock, EC4. 01-248 1250

| | | | | |
|---|---|---|---|---|
| TR American Growth | 26.7 | 28.6 | | 0.30 |
| TR General Growth | 38.7 | 41.2 | | 2.48 |
| TR Global Tech. | 28.9 | 30.8xd | | 0.10 |
| TR Income Growth | 44.1 | 47.5 | -0.1 | 5.08 |
| TR Income Monthly | 38.9 | 41.4xd | -0.1 | 7.44 |
| TR Overseas Growth | 34.7 | 36.9 | +0.1 | 1.73 |
| TR Smaller Cos. | 40.3 | 42.9 | | 1.92 |
| TR Special Ops | 42.5 | 45.7 | | 1.27 |

### Trades Union Unit Trust Managers
100, Wood Street, EC2. 01-628 8011

| | | | | |
|---|---|---|---|---|
| TUUT May 1 | 127.4 | 134.2xd | | 3.80 |

### Transatlantic and Gen. Secs. (c) (y)
91-99, New London Rd., Chelmsford 0245-51651

| | | | | |
|---|---|---|---|---|
| Colemco May 31 | 372.5 | 389.5 | -3.0 | 4.20 |
| (Accum. Units) | 594.8 | 621.9 | -6.1 | 4.20 |
| Fielding Fd May 30 | 191.6 | 205.5 | | 3.61 |
| (Accum Units) | 208.0 | 223.1 | | 3.61 |
| Fielding Inc May 30 | 134.8 | 145.0 | | 5.48 |
| Fielding Int&Gen May 30 | 208.2 | 220.6 | | 2.23 |
| (Accum. Units) | 234.1 | 248.1 | | 2.23 |
| S&W American May 22 | 139.3 | 146.4xd | | 2.71 |
| S & W Smaller Secs | 95.2 | 100.3 | | 2.00 |

### Tyndall Managers Ltd.(a)(b)(c)
18, Canynge Road, Bristol. 0272 732241

# INSURANCES

### Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage. 0438 356101

### Property Equity & Life Ass. Co.

### Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU.

### Merchant Investors Assurance
Leon House, 233 High St., Croydon 01-686 9171

### Property Growth Pensions & Annuities Ltd.

### Providence Capitol Life Assc. Co. Ltd.
30 Uxbridge Road, W12 8PG. 01-749 9111

### Municipal Life Assurance Ltd
99 Sandling Rd, Maidstone. 0622 679351

# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

**World Wide Growth Management**
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. ... $12.43 ... +0.06
Inv. Adv.: M. & G. Inv. Mngt. Ltd., London.

**Yamaichi Dynamic Mngt Co SA**
10A Boulevard Royal, Luxembourg

| | | | | |
|---|---|---|---|---|
| Advanced Tech | $9.14 | | -0.05 | — |
| Dynamic Gwth Fd. | $8.25 | | +0.05 | — |

## Money Market Trust Funds

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **The Charities Deposit Fund** 77 London Wall, London EC2N 1DD 01-588 1815 | | | | |
| Deposit | 12.3 | — | — | 3-Mth |
| **The Money Market Trust** 63 Qn Victoria St, EC4N 4ST. 01-236 0952 | | | | |
| Call Fnd | 12.63 | 9.44 | 14.01 | Anth |
| 7-day Fnd | 12.83 | 9.59 | 14.24 | Anth |
| **Oppenheimer Money Management Ltd** 66 Cannon St, EC4N 6AE. 01-236 1425 | | | | |
| Call Fnd | 12.13 | 9.07 | 13.38 | 6-Mth |
| 7-day Fund | 12.34 | 9.22 | 13.60 | 6-Mth |
| Dollar | 6.50 | — | — | 6-Mth |
| Money Mngt. Acc | 12.00 | 8.97 | 13.43 | 3-Mth |

## Money Market Bank Accounts

| | Gross | Net | Gr Equiv CAR | Int Cr |
|---|---|---|---|---|
| **Adam & Co. plc** 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484 | | | | |
| Full Service Chq Acc | 12.25 | 8.75 | 13.09 | Qtr |
| **Aitken Hume** 30 City Road, EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 12.50 | 9.34 | 14.03 | Qtr |
| Mth. Int. Chq. | 12.375 | 9.25 | 14.05 | Mth |
| **Bank of Scotland** 38 Threadneedle St, EC2P 2EH. 01-628 8060 | | | | |
| Cheque Acc | 12.06 | 9.00 | 13.40 | Mth |
| **Barclays Prime Account** PO Box 225, Northampton 0604 252891 | | | | |
| High Int. Cheque | 12.25 | 9.00 | 13.49 | Qtr |
| **Britannia Investment Services Ltd.** 29 Finsbury Circus, EC2M 5QL. 01-588 2777 | | | | |
| Caser Allen | 12.06 | 9.02 | 13.426 | Mth |
| **Charterhouse Japhet plc** 1 Paternoster Row, EC4M 7DH. 01-248 3999 | | | | |
| Sterling | 12.375 | 9.25 | 13.79 | Mth |
| U.S. Dollar | 7.50 | 7.50 | 7.76 | Mth |
| German Marks | 5.0 | 5.00 | 5.12 | Mth |
| Swiss Francs | 2.00 | 2.00 | 2.02 | Mth |
| Japanese Yen | 5.00 | 5.00 | 5.12 | Mth |
| Demand Acc | 12.30 | 9.19 | 13.79 | Qtr |
| Money Acc | 12.20 | 9.125 | 13.68 | Qtr |
| **J. Henry Schroder Wagg & Co Ltd** Enterprise House, Portsmouth 0705 827733 | | | | |
| Special Acc | 12.10 | 9.04 | 13.70 | Mth |
| Over £10,000 | 12.35 | 9.23 | 14.02 | Mth |
| **Western Trust & Savings Limited** The Moneycentre, Plymouth PL 1SE 0752 24141 | | | | |
| High Int Chq Acc | 12.69 | 9.48 | | |

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase.

# LONDON SHARE SERVICE

## BRITISH FUNDS

| Interest Due | | Stock | Price £ | Last xd | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| **"Shorts" (Lives up to Five Years)** | | | | | | |
| 15Jan | 15Jul | Treas 11½pc 1985 | 99 | 10.12 | 11.52 | 12.76 |
| 3 Mar | 3 Sep | Treas 8¾pcCnv '85 | 99 | 25.1 | 8.84 | 12.42 |
| 22 May | 22 Nov | Exch. 12¼pc 1985 | 100 | 15.4 | 12.25 | 12.09 |
| 25 Aug | 25 Feb | Exch. 11¼pc '86 | 99¾ | 21.1 | 11.76 | 11.82 |
| 11Oct | 11Apr | Treas. 10pcCnv 1986 | 98 | 5.3 | 10.14 | 11.66 |
| 19 Nov | 19 May | Treas 3pc 1986 | 94 | 12.4 | 3.18 | 9.32 |
| 19 Nov | 19 May | Exch. 10½pc Cv '86 | 99 | 12.4 | 10.61 | 11.60 |
| 12Dec | 12Jun | Treas 12pc 1986 | 100⅝ | 7.5 | 11.96 | 11.62 |
| 10 Jan | 10 Jul | Treas 8½pc 1984-86‡‡ | 96 | 4.12 | 8.77 | 11.53 |
| 29 Apr | 29 Oct | Exch. 14pc 1986 | 102 | 25.5 | 13.60 | 11.62 |
| 22 May | 21 Nov | Exch. 2½pc 1986 | 92¼ | 15.4 | 2.71 | 8.20 |
| 22Jul | 22Jan | Exch. 13¼pc 1987 | 102¾ | 17.12 | 12.94 | 11.57 |
| 10 Aug | 10 Feb | Treas 10¼pcCv '87 | 98¼ | 4.1 | 10.45 | 11.46 |
| 24Aug | 24Feb | Exch 2½pc 1987 | 90¼ | 18.1 | 2.77 | 8.86 |
| 6Oct | 6Apr | Exch. 10½pc 1987 | 98 | 1.3 | 10.67 | 11.42 |
| 1 Nov | 1 May | Funding 6½pc '85-87‡‡ | 93 | 25.3 | 6.98 | 10.51 |
| 12Dec | 12Jun | Treas. 10pc 1987 | 97¼xd | 23.5 | 10.27 | 11.50 |
| 14Jan | 14Jly | Treas 3pc 1987 | 89 | 10.12 | 3.36 | 8.67 |
| 3May | 3Nov | Treas. 12pc 1987 | 101¼ | 27.3 | 11.87 | 11.41 |
| 26 Jul | 26 Jan | Treas 7¾pc 1985-88‡‡ | 93¼ | 20.12 | 8.32 | 10.78 |
| 10Nov | 10May | Exch 10½pc '88 | 98 | 3.4 | 10.71 | 11.30 |
| 14Dec | 14Jne | Treas 9¾pc Cv '88 | 96 | 8.5 | 10.16 | 11.35 |
| 1Jan | 1Jul | Transport 3pc '78-88 | 85¾xd | 28.5 | 3.50 | 8.41 |
| 25 Apr | 25 Oct | Treas. 9½pc '88 | 94 | 19.3 | 10.03 | 11.41 |
| 22 Aug | 22 Feb | Treas 11½pc 1989 | 100 | 16.1 | 11.45 | 11.33 |
| 18 Oct | 18 Apr | Treas 9½pc Cnv. '89 | 94 | 12.3 | 10.07 | 11.33 |
| 15Nov | 15May | Treas 3pc 1989 | 79 | — | 3.78 | 9.34 |
| 14Dec | 14Jun | Treas 10½pc 1989 | 97¼xd | 23.5 | 10.80 | 11.38 |
| 1Feb | 1Aug | Exch 10pc 1989 | 95 | 27.12 | 10.48 | 11.40 |
| 29 Mar | 29 Sep | Exch 11pc 1989 | 98¼ | 20.2 | 13.14 | 11.34 |
| 15 Apr | 15 Oct | Treas 5pc 1986-89 | 83⅝ | 11.3 | 5.98 | 9.68 |
| 15 Jul | 15 Jan | Treas 13pc 1990‡‡ | 106 | 10.12 | 12.23 | 11.20 |
| 12 Feb | 12 Aug | Exch 11pc 1990‡‡ | 98 | — | 11.15 | 11.34 |
| 22 Sep | 22 Mar | Exch. 12½pc 1990 | 104 | 13.2 | 11.94 | 11.45 |
| **Five to Fifteen Years** | | | | | | |
| 15 Dec | 15 Jun | Treas 8¼pc 1987-90‡‡ | 89¼xd | 9.5 | 9.20 | 10.99 |
| 25 Apr | 25 Oct | Treas. 10pcCv 1990 | 95¾ | 29.3 | 10.60 | 13.43 |
| 10Ja | 10Jan | Treas 11¾pc 1991 | 105¼ | 4.12 | 11.62 | 11.46 |
| 5Oct | 5Apr | Funding 5¾pc '87-91‡‡ | 84¼ | 1.3 | 6.91 | 9.57 |
| 25Apr | 25Oct | Exch. 11pc 1991 | 99 | 19.3 | 11.91 | 11.36 |
| 22Jly | 22Jan | Treas 12¾pc 1992‡‡ | 110⅞ | 17.12 | 12.00 | 11.37 |
| 21Aug | 21Feb | Treas 10pc 1992 | 96¾ | 15.1 | 10.66 | 11.32 |
| 7 Nov | 7 May | Treas 10½pc Cv 1992‡‡ | 97¾ | 1.4 | 10.91 | 11.27 |
| 25 Feb | 25 Aug | Exch. 12¼pc '92 | 107¼ | 21.1 | 11.79 | 11.42 |
| 22Mar | 22Sep | Exch 13½pc 1992 | 112¼ | 13.2 | 12.31 | 11.48 |
| 14Jan | 14Jul | Treas 12½pc 1993‡‡ | 110⅞ | 10.12 | 11.80 | 11.33 |
| 15Mar | 15Sep | Funding 6pc 1993‡‡ | 80¼ | 6.2 | 7.60 | 9.75 |
| 23May | 23Nov | Treas 13¾pc 1993‡‡ | 113 | 16.4 | 12.23 | 11.39 |
| 1 Sept | 1 Mar | Treas 14½pc 1994‡‡ | 121¼ | 23.1 | 12.36 | 11.30 |
| 27Oct | 27Apr | Exch 13½pc 1994 | 112½ | 21.3 | 12.17 | 11.46 |
| 22Feb | 22Aug | Exch. 12½pc 1994 | 109½ | 16.1 | 11.79 | 11.42 |
| 17May | 17Nov | Treas 9pc 1994‡‡ | 88½ | 10.4 | 10.23 | 11.05 |
| 25Jul | 25Jan | Treas 12pc 1995 | 107½ | 19.12 | 11.64 | 11.43 |
| 1Nov | 1May | Gas 3pc '90-95 | 70¼ | 25.3 | 4.27 | 7.25 |
| 21Jan | 21Jul | Exch. 10¼pc 1995 | 97½ | 17.12 | 10.95 | 11.30 |
| 15May | 15Nov | Treas 12¾pc 1995‡‡ | 109¼ | 9.4 | 11.77 | 11.31 |
| 22Jly | 22Jan | Treas. 14pc '96 | 120¼ | 17.12 | 12.16 | 11.48 |
| 15Sep | 15Mar | Treas 9pc 1992-96‡‡ | 89⅞ | 6.2 | 10.32 | 11.02 |
| 3Nov | 3May | Treas 15¼pc 1996‡‡ | 124¼ | 27.3 | 12.38 | 11.44 |
| 15Nov | 15May | Exch 13¼pc 1996‡‡ | 113¼ | 9.4 | 11.80 | 11.24 |
| 1Apr | 1Oct | Redemption 3pc 1986-96 | 76¼ | 25.2 | 3.96 | 5.98 |
| 22Jul | 22Jan | Treas 13¼pc 1997‡‡ | 127⅞ | 17.12 | 11.77 | 11.24 |
| 21Aug | 21Feb | Exch 10½pc 1997 | 98¼ | 15.1 | 10.99 | 11.13 |
| 1Mar | 1Sep | Treas 8¾pc 1997‡‡ | 87¼ | 23.1 | 10.31 | 10.97 |
| 27Apr | 27Oct | Exch. 15pc 1997 | 124¼ | 21.3 | 12.23 | 11.49 |
| 19 Jul | 19 Jan | Exch. 9¾pc 1998 | 95 | 13.12 | 10.68 | 11.02 |
| 19Jul | 19Jan | Exch. 9¾pc 1998 'A' | 95⅞ | — | 10.69 | 11.02 |
| 1Nov | 1May | Treas 6¾pc 1995-98‡‡ | 73¼ | 25.5 | 9.30 | 10.68 |
| 30Mar | 30Sep | Treas. 15½pc '98‡‡ | 130½ | 23.2 | 12.15 | 11.38 |
| 20May | 20Nov | Exch. 12pc 1998 | 106¼ | 15.4 | 11.36 | 11.15 |
| 15Jul | 15Jan | Treas 9½pc 1999‡‡ | 94¼ | 10.12 | 10.51 | 10.83 |
| 26Sep | 26Mar | Exch. 12¼pc 1999 | 110¼ | 18.2 | 11.37 | 11.04 |
| 19Nov | 19May | Treas. 10½pc 1999 | 97¼ | 12.4 | 10.87 | 10.95 |
| 22May | 22Nov | Conversion 10¼pc 1999 | 95¼ | 15.4 | 10.80 | 10.93 |
| **Over Fifteen Years** | | | | | | |
| 14Jan | 14Jul | Treas. 13pc 2000 | 118⅝ | 10.12 | 11.45 | 11.12 |
| 22Nov | 22May | Treas. 14pc '98-01 | 118½ | 15.4 | 11.87 | 11.31 |
| 10Feb | 10Aug | Conversion 9¾pc 2001 | 95½xd | 4.1 | 10.56 | 10.74 |
| 22Jul | 22Jan | Exch 12pc '99-02 | 110¾ | 17.12 | 11.29 | 11.07 |
| 11 Oct | 11 Apr | Conversion 10pc 2002 | 95⅞ | 5.3 | 10.61 | 10.72 |
| 25Jan | 25Jul | Treas. 13¾pc 2000-03 | 123¼ | 19.12 | 11.58 | 11.14 |
| 19Sep | 19Mar | Treas. 11½pc 2001-04 | 107¾ | 11.2 | 10.93 | 10.78 |
| 14Jan | 14Jul | Funding 3½pc '99-04 | 49⅝ | 10.12 | 7.23 | 9.36 |
| 25 Apr | 25 Oct | Conversion 9½pc 2004 | 92⅝ | 19.3 | 10.38 | 10.52 |
| — | Sept. 20 | Exch.10½pc 2005 | 102⅝ | — | 10.60 | 10.58 |
| 21May | 21Nov | Treas. 12½pc 2003-05 | 114 | 15.4 | 11.03 | 10.80 |
| 5Apr | 5Oct | Treas. 8pc 2002-06‡‡ | 80¼ | 1.3 | 10.02 | 10.36 |
| 22Jly | 22Jan | Treas. 11¾pc 2003-07 | 117¼ | 17.12 | 10.93 | 10.78 |
| 26Sep | 26Mar | Treas. 13½pc '04-08 | 124 | 18.2 | 11.12 | 10.80 |
| 10Mar | 10Sep | Treas. 5½pc 2008-12‡‡ | 59¼ | 1.2 | 9.43 | 9.94 |
| 26Jly | 26Jan | Treas. 7¾pc 2012-15‡‡ | 80⅝ | 20.12 | 9.97 | 10.20 |
| 12Jun | 12Dec | Exch. 12pc '13-'17 | 114¼xd | 7.5 | 10.45 | 10.36 |
| **Undated** | | | | | | |
| 1Feb | 1Aug | Consols 4pc | 39⅝ | 27.12 | 10.30 | — |
| 1Jun | 1Dec | War Loan 3½pc‡‡ | 34¼xd | 25.4 | 10.26 | — |
| 1Apr | 1Oct | Conv. 3½pc '61 Aft. | 43⅝ | 25.2 | 8.13 | — |
| 5Apr | 5Oct | Treas. 3pc '66 Aft. | 29⅛ | 1.3 | 10.38 | — |
| 5Ja Ap Jly O | | Consols 2½pc | 24⅛ | 1.3 | 10.32 | — |
| 1Apr | 1Oct | Treas. 2½pc | 24⅛ | 25.2 | 10.44 | — |

### Index-Linked

| Interest Due | | Stock | (b) | Price £ | Last xd | (1) | (2) |
|---|---|---|---|---|---|---|---|
| 30 Sep | 30 Mar | Treas. 2pc '88 | (297.1) | 113⅞ | 21.2 | 3.65 | 4.80 |
| 25 Jul | 25 Jan | Do. 2pc '90 | (333.9) | 98¼ | 19.12 | 3.68 | 4.39 |
| 16Mar | 16Sep | Do. 2pc '96 | (267.9) | 111½ | 7.2 | 3.75 | 4.07 |
| 24Mar | 24Sep | Do. 2½pc '01 | (308.8) | 100¼ | 15.2 | 3.57 | 3.81 |
| 20Nov | 20May | Do. 2½pc '03 | (310.7) | 98⅞ | 15.4 | 3.50 | 3.72 |
| 19Jan | 19Jly | Do. 2pc '06 | (274.1) | 103 | 13.12 | 3.40 | 3.59 |
| 20Nov | 20May | Do. 2½pc '09 | (310.7) | 98¼ | 15.4 | 3.34 | 3.52 |
| 23Feb | 23Aug | Do. 2½pc '11 | (294.1) | 104¾ | 17.1 | 3.30 | 3.47 |
| 16Feb | 16Aug | Do. 2½pc '13 | (351.9) | 87 | — | 3.27 | 3.44 |
| 26Jan | 26Jly | Do. 2½pc '16 | (322.0) | 94¾ | 20.12 | 3.26 | 3.41 |
| 16Oct | 16Apr | Do. 2½pc '20 | (327.3) | 92¼ | 11.5 | 3.19 | 3.34 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for September 1984: 355.5 and for April 1985: 373.9.

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

## CORPORATION LOANS

[illegible]

## COMMONWEALTH & AFRICAN LOANS

[illegible]

## LOANS

### Building Societies

[illegible]

### Public Board and Ind.

[illegible]

### Financial

[illegible]

## FOREIGN BONDS & RAILS

[illegible]

## AMERICANS

[illegible]

## AMERICANS—Cont.

[illegible]

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BEERS, WINES—Cont.

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY & STORES—Cont.

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Continued

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## HOTELS—Continued

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS—Continued

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Jan. | July | Marshall's Universal | 64 | 12.11 | 2.0 | ♦ | 4.6 | ♦ |
| June | Dec | Do. 7½pcCnRedPf £1 | 84 | 10.12 | 7½% | — | 12.8 | — |
| Nov | May | Martin-Black | 22s | 5.79 | — | — | — | — |
| — | | ♥Mathesons 7¼% | £97 | 30.6 | Q7¼% | 2.3 | 8.2 | — |
| Jan. | June | Metal Box £1 | 415 | 26.11 | †15.0 | 3.2 | 5.2 | 6.7 |
| Nov. | June | Metal Closures | 145 | 15.4 | 6.7 | 2.0 | 6.6 | 9.1 |
| — | | ‡Metal Sciences 2½p | 13 | — | — | — | — | — |
| July | Jan | ‡Midland Marts | 104s | 26.11 | 4.0 | 1.8 | 5.5 | 13.2 |
| Jan | May | Mitchell Cotts | 72½ | 25.3 | 4.0 | 1.5 | 7.9 | 10.4 |
| Jan. | July | Morgan Crucible | 217 | 29.4 | 8.0 | 1.6 | 5.3 | 15.1 |
| May | | ‡Morris (W) F.A. 20p | 28 | — | g0.5 | ♦ | 2.6 | ♦ |
| Jan. | Aug. | Moss (Robt.) 10p | 105 | 26.11 | 3.0 | ♦ | 4.2 | ♦ |
| July | | Myson Grp 10p | 78xd | 13.5 | g2.5 | 3.4 | 4.6 | 14.8 |
| May | Nov | ‡NMW Computers | 330 | 29.4 | 6.0 | 2.7 | 2.6 | 20.3 |
| Mar. | Sept | Nash Inds. | 37 | 14.1 | 2.5 | 1.3 | 9.7 | 8.5 |
| Oct. | April | Neil & Spencer 10p | 25 | 3.81 | — | — | — | 7.5 |
| Jan | July | Newman Inds 10p | 45 | 12.79 | — | — | — | ♦ |
| Jan July | | Do. 10pc Cn.Cnv.Pf. | 43 | 29.4 | 10% | — | 3.3 | — |
| April | Oct | Nolton | 53 | 26.11 | g1.1 | 4.5 | 3.0 | 8.9 |
| Jan. | Aug. | Norcros | 143 | 24.12 | t8.6 | 2.4 | 7.5 | 8.6 |
| Oct. | April | Nu-Swift 5p | 59 | 29.10 | 3.0 | ♦ | 7.5 | ♦ |
| Feb | Aug. | Oakwood Grp. | 95 | 28.1 | d4.5 | 1.4 | 6.8 | 14.0 |
| Jan. | June | Office & Elect | 220 | 29.10 | 7.5 | 2.4 | 5.0 | 11.8 |
| — | | Oldacre 20p | 85 | 28.1 | 4.0 | 2.6 | 6.7 | 7.5 |
| — | | ‡Optometrics $0.01 | 50 | — | u$0.02c | — | 3.1 | 53.1 |
| May | Nov | Oriflame £1 | 488 | 25.3 | 23.4 | 1.3 | 7.0 | 14.9 |
| Jan. | June | Overstone 12½c | 17 | 12.11 | t04.5c | ♦ | ‡ | ♦ |
| May | Nov. | Ozalid 9pc Cnv 87-92 | £174 | 15.4 | Q9% | — | 5.3 | — |
| — | | ‡PCT Grp 10p | 168 | 29.10 | g4.8 | 2.9 | 4.2 | 9.8 |
| — | | PLM 'B' Sk 25 | £11½ | 3.4 | Q21.6% | ♦ | 4.6 | ♦ |
| — | | PSM Intl | 173xd | 13.5 | g05.25 | 2.3 | 4.3 | 11.9 |
| — | | ‡Pacific Sales 10p | 55 | 25.3 | b2.4 | 2.2 | 6.2 | (8.3) |
| April | Oct. | Parker Knoll 'A' | 196 | 25.3 | 9.0 | 2.8 | 6.6 | 7.7 |
| Feb. | Aug. | Pauls | 362 | 10.12 | ‡F13.0 | 2.5 | 5.1 | 15.9 |
| June | Nov | Pearson | 356xd | 15.4 | t8.5 | 3.1 | 3.4 | 12.4 |
| — | | Peek Holdings | 23 | — | — | — | — | ♦ |
| Mar | Oct | Peerless | 85 | 11.2 | 6.3 | 1.4 | 10.6 | 8.6 |
| June | Nov. | Pentland 10p | 965xd | 13.5 | 2.6 | 9.5 | 0.4 | 30.1 |
| Oct. | July | Pentos 10p | 49xd | 13.5 | 0.35 | 7.7 | 1.0 | 13.2 |
| September | | Phillips Patents | 44 | 15.10 | 1.25 | — | 4.1 | — |
| May | Dec. | Photo-Me 50p | £12 | 15.4 | 9.45 | 6.6 | 1.1 | — |
| Feb. | Aug. | Pilkington Br. £1 | 300 | 24.12 | ‡12.5 | 2.9 | 6.0 | 6.6 |
| June | Dec. | Placy-Bowes Cnv. Ln. | £282 | 24.12 | Q5½% | — | 2.0 | — |

[illegible]

## INSURANCES

[illegible]

## LEISURE

[illegible]

## LEISURE—Continued

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| — | | ‡Intervsn Video 10p | 6½ | 11.83 | 0.0 | — | — | — |
| June-Dec | | Juliana's Hldgs 2p | 220xd | 13.5 | 2.0 | 1.8 | 1.1 | 36.3 |
| Jan. | April | LWT | 247 | 15.4 | 14.4 | 2.3 | 8.3 | 7.5 |
| Jan | Jul | Leisuretime Int 10p | 57 | 29.4 | 2.1 | 3.9 | 5.3 | 6.1 |
| June | Jan. | Mngmt. Ag. M. 10p | 162s | 14.1 | ♦8.75 | 1.3 | 7.7 | 14.5 |
| — | | ‡Media Tech Int 20p | 166 | — | ug2.58 | 3.9 | 2.2 | 16.3 |
| Apr. | Dec. | Medminster 10p | 188 | 11.3 | †4.85 | 2.6 | 3.7 | 12.7 |
| Oct | May | ‡Miss World 10p | 250 | 25.3 | 3.6 | 4.1 | 2.1 | 17.0 |
| May | | ‡Nationwide Leis. | 96 | 11.1 | t3.75 | 2.5 | 5.6 | 8.5 |
| — | | ‡Nimslo Int 20c | 28 | — | — | — | — | — |
| July | | ‡Owners Abroad | 22 | 29.4 | 1.0 | ♦ | 6.5 | ♦ |
| — | | Photax (Lon.) | 46 | 4.82 | — | — | — | — |
| — | | ‡P'dilly Radio NV 5p | 21½ | 28.1 | 1.87 | ♦ | 12.4 | ♦ |
| December | | ‡Pineapple Dnc St 10p | 50 | 24.12 | d1.5 | 1.2 | 4.3 | 26.9 |
| Sept. | Apr. | Pleasurama 5p | 450xd | 13.5 | g9.2 | ♦ | 2.9 | ♦ |
| — | | Do. 7pcCvCmRedPf | 118 | — | — | — | — | — |
| — | | ‡Pres Entertain 50p | 89½ | 15.4 | g2.0 | 2.1 | 3.2 | 21.2 |
| Feb-July | | ‡Radio City 'A' NV | 43 | 10.12 | †5.6 | 0.9 | ‡ | 8.5 |
| January | | ‡Radio Clyde NV | 45 | 24.12 | 3.25 | 2.0 | 10.7 | 6.4 |
| July | Jan | Riley Leisure 10p | 58 | 29.10 | 0.7 | — | ‡ | — |
| Apr. | Nov. | Saga Hols. 20p | 168 | 11.3 | 4.0 | 2.1 | 3.4 | 17.9 |
| April | | Samuelson Grp £1 | £10¼ | 11.2 | 19.0 | 3.6 | — | 39.3 |
| January | | ‡Sangers Photo 10p | 39 | 29.10 | b2.0 | 1.1 | 7.3 | 17.6 |
| — | | ‡Scoots 50p | 170xd | 13.5 | g3.68 | 3.8 | 3.1 | 51.3 |
| Dec | May | Scott. TV 'A' 10p | 130 | 29.4 | 8.8 | 2.8 | 9.7 | 5.4 |
| | | SeaCo Inc $0.125 | 363 | 31.1 | — | — | — | — |
| — | | ‡SelecTV 10p | 11 | — | — | — | — | — |
| — | | ‡Spectrum 5p | 33 | — | ‡g2.0 | 4.8 | ‡ | 3.5 |
| May | Nov | TSW 5p | 26 | 15.4 | 1.5 | 2.6 | 8.2 | 6.6 |
| March | | TVS N/Vtg 10p | 120 | 11.2 | 6.0 | 2.2 | 6.0 | 9.1 |
| — | | ‡Television Svcs 50p | 227 | 15.4 | t1.5 | ♦ | 0.9 | ♦ |
| April | | Tottenham Hotspur | 65 | 11.2 | †02.3 | 1.6 | 8.8 | (15.0) |
| Oct | Apr | Trid'nt TV 'A' 10p | 240 | 11.2 | ♦7.5 | 1.0 | 4.5 | 17.9 |
| — | | ‡21st Century Dist | 103 | — | — | — | — | — |
| Dec | | ‡Tyne Tees TV 'A' £1 | 185 | 10.12 | ‡10.5 | 2.3 | ‡ | 4.4 |
| Jan | July | Ulster TV N/V 'A' | 88 | 29.4 | †4.75 | ♦ | 7.7 | ♦ |
| April | Sept | Webb (Jos.) 5p | 21½ | 25.2 | d0.51 | 1.0 | 3.4 | 42.7 |
| — | | ‡Williams (Rex) 5p | 19½ | — | d0.91 | — | 6.7 | — |
| Apr. | Nov. | Zetters 5p | 108 | 25.2 | †3.25 | 3.0 | 4.3 | 11.1 |

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

[illegible]

### Commercial Vehicles

[illegible]

### Components

[illegible]

### Garages and Distributors

[illegible]

## NEWSPAPERS, PUBLISHERS

[illegible]

## PAPER, PRINTING, ADVERTISING

[illegible]

## PROPERTY

[illegible]

## PROPERTY—Continued

[illegible]

## SHIPPING

[illegible]

## SHOES AND LEATHER

[illegible]

## SOUTH AFRICANS

[illegible]

## TEXTILES

[illegible]

## TOBACCOS

[illegible]

## TRUSTS, FINANCE, LAND

### Investment Trusts

[illegible]

## INVESTMENT TRUSTS—Cont.

[illegible]

### Finance, Land, etc

[illegible]

## OIL AND GAS

[illegible]

## OVERSEAS TRADERS

[illegible]

## PLANTATIONS

### Rubbers, Palm Oil

[illegible]

### Teas

[illegible]

## MINES

### Central Rand

[illegible]

### Eastern Rand

[illegible]

### Far West Rand

[illegible]

### O.F.S.

[illegible]

### Diamond and Platinum

[illegible]

### Central African

[illegible]

## MINES—Continued

### Finance

[illegible]

### Australians

[illegible]

### Tins

[illegible]

### Miscellaneous

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| [illegible] | | | | | | | |
| — | | ♥Centennial Min's. | 147 | 26.3 | — | — | — |
| — | | ♥Colby Res Corp | 80 | — | — | — | — |
| Aug. | Feb. | Cons. Murch. 10c | 450 | 24.1 | †Q100c | 1.4 | 10.8 |
| — | | ‡Ennex Int. Ir10p | 32 | — | — | — | — |
| Sept | Feb | Hampton Areas 10p | 187 | 24.12 | 3.75 | 2.1 | 2.7 |
| — | | ♥Highwood Res | 160 | — | — | — | — |
| May | Aug | Homestake Mining $1 | £19¼xd | 22.5 | Q20c | — | 1.0 |
| — | | ♥McFinley Red Lake | 230 | — | — | — | — |
| — | | ♥Musto Explorations | 255 | — | — | — | — |
| — | | ♥New Sabina Res C$1 | 40 | — | — | — | — |
| October | | Northgate C$1 | 290 | 9.77 | — | — | — |
| Jan. | July | RTZ | 590xd | 13.5 | 20.0 | 2.7 | 4.8 |
| Jan | July | Do. 9½pcLn '95-2000 | £129½xd | 13.5 | Q9½% | 14.0 | f7.6 |
| — | | ♥Tara Explo $1 | £12¼ | — | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

| | | | | | |
|---|---|---|---|---|---|
| Albany Inv 20p | 100 | .. | Arnott | 175xd | .... |
| Craig & Rose £1 | £9 | ..... | CPI Hldgs. | 50 | ..... |
| Finlay Pkg. 5p | 61xd | .... | Carroll Inds. | 122 | −2 |
| Higsons Brew | 225 | ..... | Dublin Gas | 53 | .. |
| Holt (Jos) 25p | 740xd | ..... | Hall (R. & H.) | 55 | .... |
| IoM Stm. £1 | 90 | ..... | Heiton Hldgs. | 20 | ..... |
| IRISH | | | Irish Ropes | 43 | ..... |
| Fund 11¼% 1988 | £96½ | ..... | Jacob (W.& R.) | 80 | ..... |
| Nat. 9¾% 84/89 | £90¾ | +⅛ | Unidare | 80 | . |
| Fin. 13% 97/02 | £100¾ | +1 | | | |

## OPTIONS — 3-month call rates

| Industrials | p | | | | |
|---|---|---|---|---|---|
| Allied-Lyons | 16 | GKN | 17 | Turner Newall | 10 |
| BAT | 32 | Hanson Tst. | 17½ | Unilever | 85 |
| BOC Grp. | 25 | Hawker Sidd | 38 | Vickers | 19 |
| BSR | 16 | Hse of Fraser | 30 | **Property** | |
| BTR | 52 | ICI | 60 | Brit Land | 12 |
| Babcock | 14 | "Imps" | 18 | Cap Counties | 18 |
| Barclays | 48 | Jaguar | 28 | Land Secs | 25 |
| Beecham | 32 | Ladbroke | 24 | MEPC | 28 |
| Blue Circle | 45 | Legal & Gen. | 50 | Peachey | 22 |
| Boots | 15 | Lex Service | 28 | Samuel Props. | 14 |
| Bowaters | 20 | Lloyds Bank | 45 | **Oils** | |
| Brit Aerospace | 33 | Lucas Inds. | 25 | Brit Oil & Min | 4 |
| Brit. Telecom | 11 | Marks & Spcr | 11 | Brit Petroleum | 42 |
| Brown (J.) | 3 | Midland Bk | 30 | Burmah Oil | 28 |
| Burton Ord | 39 | NEI | 8 | Charterhall | 6 |
| Cadburys | 14 | Nat West Bk | 60 | Premier | 5 |
| Comm Union | 19 | P & O Dfd. | 36 | Shell | 60 |
| Courtaulds | 12½ | Plessey | 17 | Tricentrol | 18 |
| Debenhams | 17½ | Polly Peck | 26 | Ultramar | 16 |
| Distillers | 28 | Racal Elect | 18 | **Mines** | |
| Dunlop | 6 | RHM | 11 | Charter Cons | 18 |
| FNFC | 8½ | Rank Org Ord. | 32 | Cons Gold | 44 |
| Gen Accident | 45 | Reed Intnl | 50 | Lonrho | 14 |
| Gen Electric | 17 | Sears | 8 | Rio T Zinc | 56 |
| Glaxo | 85 | TI | 20 | | |
| Grand Met | 25 | Tesco | 20 | | |
| GUS 'A' | 60 | Thorn EMI | 35 | | |
| Guardian | 60 | Trust Houses | 13 | | |

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 16

# CURRENCIES, MONEY and CAPITAL MARKETS

## Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers
8 Lovat Lane London EC3R 8DT Telephone 01-621 1212

### Over-the-Counter Market

| Capitalisatn. £000's | Company | Price | Change on week | Gross div.(p) | Yield % | P/E Actual | P/E Fully taxed |
|---|---|---|---|---|---|---|---|
| 4,960 | Ass. Brit. Ind. Ord. ... | 146 | — | 6.8 | 4.3 | 8.1 | 9.8 |
| — | Ass. Brit. Ind. CULS... | 150 | — | 10.6 | 6.6 | — | — |
| 3,068 | Airsprung Group ...... | 53 | −1 | 6.4 | 12.1 | 5.6 | 7.6 |
| 925 | Armitage and Rhodes | 37 | +1 | 2.9 | 7.8 | 4.6 | 7.7 |
| 47,064 | Bardon Hill ........... | 151 | +1 | 3.4 | 2.3 | 16.2 | 25.3 |
| 3,080 | Bray Technologies ... | 56 | −1 | 3.9 | 7.6 | 6.8 | 7.8 |
| 564 | CCL Ordinary ......... | 161 | −2 | 12.6 | 7.5 | 3.6 | 3.7 |
| 1,375 | CCL 11pc Conv. Pref. | 116 | — | 15.7 | 14.3 | — | — |
| 0,889 | Carborundum Ord. ... | 115 | — | 4.9 | 4.3 | 5.7 | 8.6 |
| 618 | Carborundum 7.5pc Pf. | 88 | — | 16.7 | 12.2 | — | — |
| 8,600 | Deborah Services ...... | 46 | — | 8.5 | 14.1 | 4.4 | 7.1 |
| 20,612 | Frank Horsell ...... | 328 | +2 | — | — | 13.2 | 17.3 |
| — | Frank Horsell Pr Ord 87 | 262 | +2 | 8.6 | 3.7 | 16.5 | 13.8 |
| 4,183 | Frederick Parker ...... | 29 | — | — | — | — | — |
| 1,070 | George Blair ........... | 58 | +1 | — | — | 3.9 | 7.8 |
| 975 | Ind. Precision Castings | 24 | +3 | 2.7 | 11.3 | 6.8 | 7.1 |
| 14,132 | Isis Group ............ | 180 | −1 | 13.6 | 8.3 | 7.1 | 12.9 |
| 5,488 | Jackson Group ......... | 106 | — | 4.9 | 4.7 | 4.6 | 8.5 |
| 32,587 | James Burrough ...... | 235 | −1 | 13.7 | 0.8 | 8.3 | 8.3 |
| 3,120 | James Burrough 9pc Pf. | 90 | — | 12.9 | 14.3 | — | — |
| 8,691 | John Howard and Co. | 93 | +4 | 5.0 | 5.4 | 7.4 | 11.3 |
| 3,744 | Linguaphone Ord. . . . . | 223 | — | — | — | 8.2 | 8.5 |
| — | Linguaphone 16.5pc Pf. | 88 | — | 15.0 | 15.3 | — | — |
| 17,231 | Minihouse Holding NV | 633 | −5 | 6.6 | 1.1 | 27.6 | 26.3 |
| 622 | Robert Jenkins ........ | 81 | +1 | 5.0 | 8.2 | — | — |
| 1,440 | Scruttons "A" ......... | 34 | — | 5.7 | 10.8 | 17.9 | 4.1 |
| 1,865 | *Torday and Carlisle* .. | 76 | — | — | — | 8.2 | 17.3 |
| 1,496 | Travian Holdings ...... | 330 | — | 4.3 | 1.3 | 18.8 | 18.4 |
| 4,720 | Unilock Holdings ...... | 30 | — | 1.3 | 4.3 | 14.8 | 21.0 |
| 13,049 | Walter Alexander ...... | 102 | — | 7.5 | 7.4 | 10.1 | 12.3 |
| 6,321 | W. S. Yeates ........... | 228 | — | 17.4 | 7.8 | 6.5 | 11.2 |

Prices and details of services now available on Prestel, page 48146

# FOREIGN EXCHANGE AND MONEY BROKING

**The above survey which was due to be published today will now be published on Tuesday, 18th June**



## FOREIGN EXCHANGES

## FINANCIAL FUTURES

### LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 92.23 | 92.24 | 92.13 | 92.12 |
| Sept | 91.62 | 91.63 | 91.50 | 91.50 |
| Dec | 91.15 | 91.17 | 91.06 | 91.06 |
| March | 90.76 | 90.75 | 90.67 | 90.68 |
| June | 90.43 | 90.39 | 90.37 | 90.36 |

Est volume 3,346 (6,011)
Previous day's open int 19,497 (18,757)

THREE-MONTH STERLING £500,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 87.56 | 87.58 | 87.40 | 87.38 |
| Sept | 88.46 | 88.48 | 88.32 | 88.30 |
| Dec | 88.86 | 88.86 | 88.70 | 88.70 |
| March | 88.83 | 88.97 | 88.80 | 88.87 |
| June | 88.93 | — | — | 88.90 |

Est volume 2,106 (1,071)
Previous day's open int 7,367 (7,373)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 106-16 | 106-20 | 105-29 | 105-27 |
| Sept | 110-07 | 110-07 | 109-16 | 109-16 |
| Dec | 110-13 | — | — | 109-22 |
| March | 110-01 | — | — | 109-10 |

Est volume 2,575 (1,972)
Previous day's open int 3,923 (3,613)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −10 to par (32nds)

STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 1.2842 | 1.2825 | 1.2690 | 1.2720 |
| Sept | 1.2700 | 1.2745 | 1.2556 | 1.2578 |
| Dec | 1.2596 | 1.2461 | 1.2461 | 1.2470 |

Est volume 382 (32)
Previous day's open int 9,888 (9,289)

DEUTSCHE MARKS DM 125,000 $ per DM

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 0.3272 | 0.3243 | 0.3232 | 0.3245 |
| Sept | 0.3292 | 0.3279 | 0.3254 | 0.3264 |
| Dec | 0.3316 | 0.3280 | 0.3280 | — |

Est volume 67 (43)
Previous day's open int 235 (234)

SWISS FRANCS SwFr 125,000 $ per SwFr

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 0.3895 | — | — | 0.3854 |
| Sept | 0.3912 | — | — | 0.3878 |

Est volume nil (22)
Previous day's open int 179 (157)

FT-SE 100 INDEX £25 per full index point

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 131.40 | 132.10 | 131.15 | 121.70 |
| Sept | 131.90 | 132.40 | 132.40 | 132.20 |

Est volume 224 (185)
Previous day's open int 1,564 (1,552)

JAPANESE YEN Y12.5m $ per Y100

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 6.3978 | — | — | 6.3976 |
| Sept | 6.3993 | — | — | 0.3991 |

Est volume nil (13)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 77-00 | 77-00 | 76-10 | 76-03 |
| Sept | 76-04 | 76-05 | 75-14 | 75-07 |

Est volume 1,124 (2,375)
Previous day's open int 2,181 (1,851)

### CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 77-11 | 77-14 | 76-14 | 76-25 |
| Sept | 76-13 | 76-16 | 75-16 | 75-27 |
| Dec | 75-15 | 75-17 | 74-19 | 74-29 |
| March | 74-20 | 74-22 | 73-24 | 74-02 |
| June | 73-28 | 73-29 | 73-01 | 73-10 |
| Sept | 73-06 | 73-07 | 72-11 | 72-20 |
| Dec | 72-18 | 72-20 | 71-27 | 72-01 |
| March | 72-01 | 72-03 | 71-11 | 71-16 |
| June | 71-17 | 71-19 | 71-00 | 71-00 |
| Sept | — | — | — | — |
| Dec | 70-22 | 70-24 | 70-05 | 70-05 |

U.S. TREASURY BILLS (IMM) $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 92.91 | 92.93 | 92.80 | 92.86 |
| Sept | 92.65 | 92.69 | 92.51 | 92.55 |
| Dec | 92.30 | 92.32 | 92.16 | 92.20 |
| March | 91.96 | 91.97 | 91.82 | 91.87 |
| June | 91.66 | 91.68 | 91.57 | 91.60 |
| Sept | 91.41 | 91.42 | 91.34 | 91.36 |
| Dec | 91.16 | 91.21 | 91.12 | 91.13 |
| March | 91.00 | 91.00 | — | 90.93 |

CERT. DEPOSIT (IMM) $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 92.59 | 92.60 | 92.41 | 92.45 |
| Sept | 92.06 | 92.07 | 91.85 | 91.89 |
| Dec | 91.68 | 91.64 | 91.41 | 91.43 |
| March | 91.18 | 91.12 | 91.17 | 51.04 |

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 92.24 | 92.25 | 92.08 | 92.12 |
| Sept | 91.70 | 91.72 | 91.49 | 91.53 |
| Dec | 91.22 | 91.24 | 91.04 | 91.07 |
| March | 90.91 | 90.92 | 90.85 | 90.68 |
| June | 90.46 | 90.47 | 90.33 | 90.35 |
| Sept | 90.18 | 90.16 | 90.04 | 90.07 |
| Dec | 89.88 | 89.88 | 89.78 | 89.81 |
| March | 89.62 | 89.91 | 89.55 | 89.57 |

STERLING (IMM) $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 1.2900 | 1.2930 | 1.2645 | 1.2765 |
| Sept | 1.2760 | 1.2790 | 1.2515 | 1.2610 |
| Dec | 1.2660 | 1.2700 | 1.2395 | 1.2510 |
| March | — | — | — | 1.2285 |
| June | 1.2480 | — | — | 1.2350 |

## WEEKLY CHANGE IN WORLD INTEREST RATES

| | May 31 | change | | May 31 | change |
|---|---|---|---|---|---|
| **LONDON** | | | **NEW YORK** | | |
| Base rates | 12⅜-12¼ | Unch'd | *Prime rates* | 10 | Unch'd |
| 7 day Interbank | 12⁷⁄₁₆ | Unch'd | Federal funds | 7⅜ | +⅛ |
| 3 Mth. Interbank | 12½ | −⅛ | 3 Mth. Treasury Bills | 7.17 | +0.03 |
| Treasury Bill Tender | 11.8013 | −0.1924 | 6 Mth. Treasury Bills | 7.00 | −0.06 |
| Band 1 Bills | 12⅝ | Unch'd | 3 Mth. C D | 7.60 | −0.08 |
| Band 2 Bills | 12¼ | Unch'd | | | |
| Band 3 Bills | 12⅛ | Unch'd | **FRANKFURT** | | |
| Band 4 Bills | 12 | Unch'd | Lombard | 9.0 | Unch'd |
| 3 Mth. Treasury Bills | 11⅞ | Unch'd | One Mth. Interbank | 5.773 | +0.01 |
| 1 Mth. Bank Bills | 12⁵⁄₁₆ | Unch'd | Three month | 5.770 | +0.05 |
| 3 Mth. Bank Bills | 11⅞ | −⅛ | | | |
| | | | **PARIS** | | |
| **TOKYO** | | | Intervention Rate | 10⅛ | Unch'd |
| One month Bills | 0.40628 | +0.0626 | One Mth. Interbank | 10⅛ | −⅛ |
| Three month Bills | 0.34375 | Unch'd | Three month | 10⁵⁄₁₆ | +⅛ |
| **BRUSSELS** | | | **MILAN** | | |
| One month | 8⅜ | −⅛ | One month | 14⅜ | +⅛ |
| Three month | 8⁵⁄₁₆ | −⅛ | Three month | 14⁵⁄₁₆ | +⅛ |
| **AMSTERDAM** | | | **DUBLIN** | | |
| One month | 7⅛ | −⅛ | One month | 12¾ | +⅛ |
| Three month | 6⅞ | −⅛ | Three month | 12⅝ | +⅛ |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.



# Struggling dollar helps pound

BY COLIN MILLHAM

The dollar remained within a range of DM 3.00 and DM 3.20 last month, finishing on Friday towards the lower end of its range. At present it seems more likely to move decisively below DM 3.00 than break back above DM 3.20, but the U.S. currency has shown resilience around DM 3.00 despite less than hoped for from recent economic statistics.

April durable goods orders were revised to a fall of 0.2 per cent from an earlier rise of 0.1 per cent, and this led to selling of the dollar around the time of the London close on Friday. But a fall of 0.2 per cent in leading indicators, announced Thursday, and Friday's deficit of $11.55bn in the April U.S. trade figures came as no surprise and had little impact on the foreign exchanges.

In general it was a very quiet week, with London and New York closed on Monday for holidays. Month-end factors did not appear to increase demand for the dollar, and the trend of the U.S. currency was weaker.

There has been little evidence so far that U.S. growth in the present quarter will rise sharply after the disappointing performance of the economy in the first three months.

An important day will be Thursday June 20 when the flash estimate of second quarter GNP will be published as well as a *revision to first-quarter GNP.*

Any move of money out of the dollar is attracted into London by the very high level of interest rates. On Friday sterling's index finished at the highest level for a year and the pound was also at its best against the D-mark since the beginning of February last year. When sterling was last at its present level against the German currency it was above $1.40, and on Friday closed at $1.2865, *indicating the possible* competitiveness problems facing Britain with the pound approaching DM 4.00 and already above FFr 12.00.

Apart from interest rates sterling was also underpinned by a current account surplus in April after the disappointing March trade figures. These factors offset any nervousness about lower oil prices.

### STERLING INDEX

| | May 31 | Previous |
|---|---|---|
| 8.30 am ...... | 80.0 | 79.2 |
| 9.00 am ...... | 80.1 | 79.1 |
| 10.00 am ...... | 80.0 | 79.2 |
| 11 am ...... | 80.0 | 79.2 |
| Noon ...... | 80.0 | 79.2 |
| 1.00 pm ...... | 80.0 | 79.2 |
| 2.00 pm ...... | 80.0 | 79.2 |
| 3.00 pm ...... | 80.0 | 79.2 |
| 4.00 pm ...... | 80.3 | 79.3 |

### £ IN NEW YORK

| | May 31 | Prev. close |
|---|---|---|
| £ Spot | $1.2905-1.2960 | $1.2750-1.2760 |
| 1 month | 0.54-0.52 pm | 6.52-0.50 pm |
| 3 months | 1.01-1.48 pm | 1.48-1.46 pm |
| 12 months | 4.05-3.96 pm | 6.87-3.90 pm |

Forward premiums and discounts apply to the U.S. dollar.

### FORWARD RATES AGAINST STERLING

| | Spot | 1-month | 3-month | 6-month | 12-month |
|---|---|---|---|---|---|
| Dollar ............ | 1.2865 | 1.2813 | 1.2718 | 1.2604 | 1.2460 |
| D-Mark ............ | 3.9325 | 3.9097 | 8.8866 | 0.9084 | 8.7218 |
| French Franc ........ | 12.0075 | 11.9842 | 11.9462 | 11.9019 | 11.8836 |
| Swiss Franc ........ | 3.3150 | 3.2943 | 3.2558 | 3.2020 | 3.1064 |
| Japanese Yen ........ | 323.0 | 321.32 | 618.12 | 313.82 | 306.79 |

### BANK OF ENGLAND TREASURY BILL TENDER

| | May 31 | May 24 | | May 31 | May 24 |
|---|---|---|---|---|---|
| Bills on offer......... | £100m | £100m | Top Accepted rate of discount | 11.8194% | 11.2597% |
| Total of applications... | £482.4m | £495.30m | Average rate of discount | 11.8016% | 11.2217% |
| Total allocated... | £100m | £100m | Average yield.... | 12.16% | 12.29% |
| Minimum accepted bid.... | £97.055½ | £97.025 | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level... | 76% | 28% | | | |

### POUND SPOT—FORWARD AGAINST POUND

| May 31 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.2650-1.2900 | 1.2860-1.2870 | 0.54-0.51c pm | 4.90 | 1.50-1.45pm | 4.59 |
| Canada | 1.7496-1.7696 | 1.7645-1.7695 | 0.48-0.39c pm | 2.96 | 1.30-1.18 pm | 2.78 |
| Nethlnd. | 4.42⅝-4.44⅞ | 4.43-4.44 | 2-1⅞c pm | 5.24 | 6⅜-6 pm | 5.47 |
| Belgium | 78.65-79.36 | 78.65-78.75 | 26-21c pm | 3.58 | 74-65 pm | 3.53 |
| Denmark | 14.11-14.24 | 14.23-14.24 | 4⅞-4⅜ore pm | 3.79 | 12⅞-11⅞pm | 3.41 |
| Ireland | 1.2531-1.2584 | 1.2565-1.2575 | 6.09p pm-0.06dn | −0.14 | .38pm-.07dis | −.46 |
| W. Ger | 3.92-3.95 | 3.92¾-3.93¾ | 2⅞-2⅜pf pm | 7.06 | 6⅝-6⅛ pm | 0.74 |
| Portugal | 220-225½ | 220¾-224½ | 95-420c dis | −16.89 | 300-1195dis | −13.44 |
| Spain | 222½-223¾ | 222¾-223¾ | 5c pm-10 dis | −0.13 | 35-65 dis | −2.80 |
| Italy | 2,502-2,517½ | 2,511-2,512 | par-3lire dis | −0.72 | 3-7 dis | −6.80 |
| Norway | 11.26¾-11.37½ | 11.36½-11.37½ | par-¾ore dis | −0.40 | par-⅞dis | −0.19 |
| France | 11.96-12.04½ | 12.00¼-12.01½ | 2½-2⅛c pm | 2.31 | 6⅞-5⅜ pm | 2.04 |
| Sweden | 11.31-11.38 | 11.31-11.32 | 3⅛-3⅞ore dis | −3.78 | 10⅛-10⅞dis | −3.71 |
| Japan | 320½-323¾ | 322½-323½ | 1.76-1.61c pm | 6.26 | 4.98-4.78pm | 6.04 |
| Austria | 27.56-27.70 | 27.62-27.70 | 15⅛-13⅜gro pm | 6.29 | 42½-38½ pm | 5.87 |
| Switz. | 3.30½-3.32½ | 3.31-3.32 | 2⅝-2c pm | 7.47 | 6-5⅞ pm | 7.19 |

Belgian rate is for convertible francs. Financial franc 80.30-80.40. Six-month forward dollar 2.64-2.59c pm. 12-month 4.05-3.90c pm.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| May 31 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.2650-1.2900 | 1.2860-1.2870 | 0.54-0.51c pm | 4.80 | 1.50-1.45 pm | 4.59 |
| Ireland† | 1.0100-1.0260 | 1.0235-1.0245 | 0.44-0.34c pm | 4.62 | 1.20-0.90pm | 4.14 |
| Canada | 1.3740-1.3777 | 1.3740-1.3750 | 0.21-0.24c dis | −1.94 | 0.60-0.65dis | −1.81 |
| Nethlnd. | 3.4320-3.4800 | 3.4505-3.4615 | 0.15-0.12c pm | 0.47 | 0.79-0.76 pm | 0.89 |
| Belgium | 61.50-62.30 | 61.50-61.60 | 9-7c dis | −1.25 | 15-17 dis | −1.03 |
| Denmark | 10.96⅞-11.12⅞ | 11.05¾-11.06¾ | 1-1⅞ore dis | −1.35 | 2⅞-3⅞dis | −1.06 |
| W. Ger. | 3.0475-3.0860 | 3.0560-3.0570 | 9.57-0.52pf pm | 3.12 | 1.75-1.70pm | 3.23 |
| Portugal | 174¾-177 | 175-177 | 190-400c dis | −18.89 | 460-1150dis | −18.31 |
| Spain | 172¾-175⅞ | 173½-174 | 82-92c dis | −5.97 | 260-285dis | −6.23 |
| Italy | 1,951-1,976 | 1,951-1,952 | 9-9½lire dis | −5.62 | 26¼-27dis | −5.40 |
| Norway | 8.83¼-8.87½ | 8.83¼-8.83¾ | 4-4½ore dis | −5.75 | 10½-11dis | −4.86 |
| France | 2.31½-9.43¼ | 9.31¾-9.32¾ | 1.90-2.00c dis | −2.49 | 9.90-6.10dis | −2.53 |
| Sweden | 8.79¾-8.93 | 8.79¾-7.79¾ | 6⅞-7ore dis | −9.08 | 18½-19dis | −8.41 |
| Japan | 250-95-252.05 | 251.10-251.20 | 0.31-0.27y pm | 1.38 | 0.97-0.92pm | 1.50 |
| Austria | 21.50-21.76 | 21.50-21.60 | 2.90-2.00gro pm | 1.33 | 0.00-5.50pm | 1.24 |
| Switz. | 2.5600-2.6130 | 2.5720-2.5730 | 0.91-0.56c pm | 2.69 | 1.76-1.70 pm | 2.86 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.40-62.50.

### OTHER CURRENCIES

| May 31 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Peso.. | 755.30-756.60 | 586.55-594.15 | Austria.......... | 27.80-27.80 |
| Australia Dollar. | 1.8245-1.8285 | 1.5970-1.3093 | Belgium........... | 72.19-79.95 |
| Brazil Cruzeiro... | 6,947-0,972 | 5,460-5,480 | Denmark............ | 14.07-14.21 |
| Finland Markka.. | 8.1285-8.2335 | 6.4125-6.4143 | France............ | 11.60-12.00 |
| Greek Drachma.. | 171.74-175.48 | 134.72-137.61 | Germany............ | 3.91¾-3.94¾ |
| HongKong Dollar | 10.0000-16.3100 | 7.7710-7.7730 | Italy.............. | 2423-2530 |
| Iran Rial........ | 116.50* | 92.50* | Japan.............. | 320-324 |
| KuwaitDinar(KD) | 0.3902-0.3610 | 0.30300-0.30315 | Netherlands........ | 4.41¼-4.45¼ |
| Luxembourg Fr | 78.65-78.75 | 61.50-61.60 | Norway............. | 11.65-11.60 |
| Malaysia Dollar.. | 3.1660-3.1713 | 2.4635-2.4663 | Portugal........... | 216-226 |
| New Zealand Dlr. | 2.8405-2.8485 | 2.2140-2.2190 | Spain.............. | 215-225 |
| Saudi Arab Riyal | 4.5421-4.0569 | 0.6096-3.0100 | Sweden............ | 21.01-11.42 |
| Singapore Dollar | 2.8570-2.8620 | 2.2213-2.2245 | Switzerland....... | 0.30-3.33 |
| Sth African Rand | 2.5526-2.5660 | 1.9900-1.9940 | United States...... | 1.26¼-1.28¼ |
| U.A.E. Dirham.... | 4.7295-4.7381 | 3.0720-3.0760 | Yugoslavia......... | 026-350 |

* Selling rate.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu May 31 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc ... | 44.9008 | 45.2033 | +0.67 | +0.72 | ±1.5471 |
| Danish Krone ... | 8.14104 | 8.07368 | −0.83 | −0.78 | ±1.6418 |
| German D-mark.. | 2.24184 | 2.24578 | +0.18 | +0.23 | ±1.1475 |
| French franc..... | 6.87456 | 6.84552 | −0.42 | −0.37 | ±1.3669 |
| Dutch guilder ... | 2.52595 | 2.53115 | +0.21 | +0.26 | ±1.5172 |
| Irish punt........ | 0.72569 | 0.717326 | −1.15 | −1.10 | ±1.6673 |
| Italian lira ...... | 1403.49 | 1432.31 | +2.05 | +2.05 | ±4.0419 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### CURRENCY MOVEMENTS

| May 31 | Bank of England Index | Morgan Guaranty Change % |
|---|---|---|
| Sterling ............ | 80.3 | −2.0 |
| U.S. dollar......... | 145.3 | +30.8 |
| Canadian dollar.... | 87.4 | −7.3 |
| Austrian schilling.. | 112.4 | +2.8 |
| Belgian franc....... | 89.4 | −10.2 |
| Danish Kroner...... | 77.8 | −6.0 |
| Deutsche mark..... | 122.1 | +9.8 |
| Swiss franc......... | 136.8 | +7.7 |
| Guilder............ | 112.8 | +3.3 |
| French franc....... | 65.1 | −19.4 |
| Lira............... | 45.3 | −17.8 |
| Yen................ | 184.1 | +11.0 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

### CURRENCY RATES

| May 31 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling ..... | — | 0.779702 | 0.571828 |
| U.S. $........ | 7½ | 0.902250 | 0.726508 |
| Canadian $.. | 9.36 | * | 1.00040 |
| Austria Sch. | 4½ | 81.5679 | 10.7632 |
| Belgian Fr.. | 2¼ | 61.7613 | 43.2033 |
| Danish Kr... | 7 | 11.0342 | 8.07368 |
| Dmark....... | 4½ | 6.0674 | 2.24578 |
| Guilder...... | 9½ | 0.45620 | 2.53113 |
| French Fr... | 9½ | 9.35468 | 6.84552 |
| Lira.......... | 16½ | 1257.19 | 1432.31 |
| Yen.......... | 0 | 260.074 | 183.044 |
| Norway Kr... | 8 | 8.81643 | 6.44594 |
| Span'h Pta.. | — | 173.803 | 187.312 |
| Swedish Kr.. | 11.3 | 8.85960 | 6.48045 |
| Swiss Fr..... | 4 | 3.3886 | 1.89516 |
| Greek Dr'ch | 20½ | 165.399 | 99.0230 |
| Irish Punt.... | 13¾ | 0.990401 | 0.717326 |

*C$/SDR rate for May 30: 1.36945.

### EXCHANGE CROSS RATES

| May 30 | Pound Sterling | U.S. Dollar | Deutschemark | Japanese Yen | French Franc | Swiss Franc | Dutch Guild | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.287 | 3.933 | 323.0 | 12.01 | 3.313 | 4.435 | 2012. | 1.767 | 78.70 |
| U.S. Dollar | 0.777 | 1. | 3.067 | 201.9 | 9.330 | 2.573 | 3.481 | 1258. | 1.373 | 61.95 |
| Deutschemark | 0.254 | 0.327 | 1. | 86.14 | 3.053 | 0.843 | 1.128 | 638.7 | 0.449 | 20.01 |
| Japanese Yen 1,000 | 3.096 | 3.283 | 12.17 | 1000. | 37.17 | 10.26 | 13.73 | 7776. | 5.471 | 243.7 |
| French Franc 10 | 0.833 | 1.071 | 3.276 | 269.0 | 10. | 2.761 | 3.694 | 2092. | 1.472 | 65.54 |
| Swiss Franc | 0.302 | 0.386 | 1.186 | 27.44 | 3.622 | 1. | 1.338 | 757.6 | 0.533 | 23.74 |
| Dutch Guilder | 0.226 | 0.280 | 0.887 | 72.83 | 2.707 | 0.747 | 1. | 566.3 | 0.398 | 17.73 |
| Italian Lira 1000 | 0.398 | 0.012 | 1.566 | 128.6 | 4.781 | 1.320 | 1.766 | 1000. | 0.704 | 31.34 |
| Canadian Dollar | 0.509 | 0.728 | 2.226 | 182.8 | 6.795 | 1.879 | 2.010 | 1431. | 1. | 44.54 |
| Belgian Franc 100 | 1.271 | 1.030 | 4.997 | 410.4 | 15.26 | 4.212 | 0.035 | 3181. | 2.246 | 100. |

### EURO-CURRENCY INTEREST RATES (Market closing rates)

| May 31 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | D-mark | French Franc | Italian Lire | Belgian Franc Conv. | Belgian Franc Fin. | Yen | Danish Krone |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Short-term... | 12⅝-12⅞ | 7⅛-7⅝ | 10-10⅛ | 7⅛-7⅝ | 1¼-1⅜ | 5⅛-5⅜ | 10⅛-10⅛ | 12⅛-13⅛ | 8-9¼ | 8-9¼ | 6⅜-6⅝ | 8⅛-8⅜ |
| 7 days' notice ... | 12⅝-12¾ | 7⅝-7¾ | 10-10⅛ | 7⅛-7⅝ | 2⅛-2⅜ | 5⅝-5¾ | 10⅛-10⅛ | 12½-14¼ | 8-8¼ | 8-8¼ | 6⅛-6⅜ | 8⅛-8⅜ |
| Month ......... | 12⅝-12¾ | 7⅞-7⅞ | 10-10⅛ | 7⅛-7⅜ | 5⅛-5¼ | 5⅛-5⅝ | 10⅛-10¼ | 13-13½ | 8⅞-8⅞ | 8⅞-9⅛ | 6⅛-6⅛ | 8-8⅛ |
| Three months.... | 12⅛-12⅞ | 7⅞-7⅞ | 10⅛-10⅞ | 6⅝-7⅛ | 5⅛-5¼ | 5⅜-5⅝ | 10¼-10⅜ | 13-13½ | 8⅞-8⅞ | 8⅞-8⅞ | 6⅛-6⅜ | 8⅞-9⅜ |
| Six months.... | 12¼-12⅜ | 7⅞-8⅛ | 10¼-10⅞ | 6⅛-6⅞ | 5⅛-5¼ | 5⅛-5⅝ | 10⅜-10⅜ | 13⅛-13⅝ | 9-9¼ | 9-9¼ | 6⅛-6⅜ | 9-9⅝ |
| One year....... | 12⅛-12⅜ | 8⅛-8⅞ | 10⅝-10⅞ | 6⅛-6⅝ | 5⅞-5⅞ | 5⅝-5⅝ | 10⅝-10⅞ | 13½-14⅛ | 9¼-9½ | 9¼-9½ | 6⅛-6⅛ | 9¼-9⅝ |

Asian $ (closing rates in Singapore): Short-term 7⅝-7⅞ per cent; seven days 7⅝-7⅞ per cent; one month 7⅝-7⅞ per cent; three months 7⅞-7⅞ per cent; six months 8-8⅛ per cent; one year 8⅜-8⅞ per cent. Long-term Eurodollars: two years 9⅛-9⅜ per cent; three years 9⅞-10⅛ per cent; four years 10⅛-10⅜ per cent; five years 10⅜-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

## MONEY MARKETS

# Waiting for money supply data

The strength of sterling produced lower interest rates on the London money market last week, but there was a general lack of *conviction about any lowering of* clearing bank base rates. Press comment that base rates are likely to be cut around the time of the retail prices index and monthly building society receipts on *June 14 caused* a certain amount of furore, but dealers are generally very sceptical ahead of tomorrow's money supply and bank lending figures.

The previous very large rise in sterling M3 money supply and bank lending announced last month set back any hopes of a reduction in May of base rates, and the next figures are not expected to be particularly encouraging.

Latest estimates suggest that sterling M3 will grow by about ¾ per cent, compared with 2.9 per cent, but this will leave the annualised figure 3 pc above target even on the new calculation announced by the Treasury.

The change in method of calculation brings the growth rate down to 12 per cent from 19 per cent, while bank lending is anticipated to fall sharply from the *monthly figure to mid-April* of £2.6bn. These will only return the figures to some degree of normality however and do not in themselves appear to justify lower base rates.

On the *other* hand any improvement may be seen as a move towards lower rates because of the increased demand for sterling.

The pound closed at very high levels against Continental currencies on *Friday* and at the highest for over a month against the dollar.

Whether this is enough to encourage lower London interest rates, given the present domestic *background*, is another matter however.

The Treasury has changed the basis of calculation for M3 growth and Mr Nigel Lawson, Chancellor of the Exchequer, has suggested the figure is less important than the narrowly based M0 calculation involving notes and coins. But the market will need to be convinced that everything is in order, and will continue to concentrate its attention on M3 at present. *This may* mean no change in base rates for a little longer.

**UK clearing banks base lending rate 12⅜-12⅞ per cent since April 19.**

### MONEY RATES

| May 31 | Frankfurt | Paris | Zurich | Amst'dam | Tokyo | Milan | Brussels | Dublin |
|---|---|---|---|---|---|---|---|---|
| Overnight......... | 5.90-6.00 | 10¼ | 1⅝-1⅝ | 7¼-7⅝ | 0.09375 | 10⅛-16½ | 5.26 | 16¾-13 |
| One month......... | 5.70-5.85 | 10⅛-10⅛ | 5⅛-6⅛ | 7-7⅛ | 0.40628 | 14⅝-10 | 8¼-8⅞ | 16⅝-16⅞ |
| Two months........ | 5.70-5.85 | 10⅛-16¼ | — | — | — | — | — | 12½-12¾ |
| Three months...... | 5.70-5.85 | 16⅛-16¼ | 6⅛-6⅛ | 6⅞-7 | 0.34375 | 14⅞-15¼ | 8⅞-2 | 16⅛-12¾ |
| Six months........ | 5.75-5.80 | 10⅞-16⅛ | — | 6⅛-6⅞ | — | — | 8⅞-9 | 12⅛-1⅛ |
| Lombard........... | 6.0 | — | — | — | — | — | — | — |
| Intervention ....... | — | 10⅛ | — | 6⅞ | — | — | — | — |

### LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

| May 31 1985 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Company Deposits | Market Deposits | Treasury (Buy) | Treasury (Sell) | Eligible Bank (Buy) | Eligible Bank (Sell) | Fine Trade (Buy) |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight....... | — | 10-10 | 12⅝ | 11⅛-16⅛ | 8-12⅝ | — | — | — | — | — |
| 2 days notice ... | — | — | 12⅝-12¾ | — | — | — | — | — | — | — |
| 7 days or....... | — | — | — | — | — | — | — | — | — | — |
| 7 days notice ... | — | 12⅝-16¾ | 16⅝-12⅛ | 16¼ | 12⅝ | — | — | — | — | — |
| One month....... | 16¾-12⅝ | 16⅝-16¾ | 16⅝ | 12¾ | 16⅛ | 16¼ | 16⅛ | 16⅜ | 12¼ | 16⅞ |
| Two months...... | 12⅝-12⅛ | 16⅛-16⅛ | 12⅛ | 16⅛ | 12¼ | 16⅛ | 12 | 12⅛ | 12⅛ | 12⅛ |
| Three months.... | 16⅞-16⅝ | 16⅛-16⅝ | 16⅛ | 12⅛ | 16⅛ | 11⅞ | 11⅞ | 11⅞ | 11⅞ | 16⅛ |
| Six months...... | 12⅛-16⅛ | 16⅝-16⅛ | 16⅞ | — | — | — | — | 11⅞ | 11⅞ | 16⅛ |
| Nine months..... | 11⅞-16⅛ | 16¼-16⅛ | — | — | — | — | — | — | — | — |
| One year........ | 11⅞-11⅞ | 12⅛-16¼ | 11⅛ | — | — | — | — | — | — | — |

| | Local Auth. negotiable bonds | Local Authority Deposits | Finance House Deposits | $ Cert of Deposits | SDR Linked Deposits | ECU Linked Deposits |
|---|---|---|---|---|---|---|
| One month....... | 15¼-10 | — | 12¾ | 7.5-7.0 | 7⅞-7⅞ | 2⅛-8⅛ |
| Two months...... | 13⅞-13 | — | 16⅛ | 7.8-7.70 | 7⅞-7⅛ | 9⅛-8½ |
| Three months.... | 13⅛-12⅞ | — | 12⅝ | 7.56-7.76 | 7⅞-8⅛ | 8⅛-8⅛ |
| Six months...... | 16⅛-16⅛ | — | 16½ | 7.8-7.9 | 7⅞-8⅛ | 9⅛-9⅛ |
| Nine months..... | 16⅛-16⅛ | — | 16⅛ | 0.28-3 | — | — |
| One year ........ | 16⅛-12⅛ | — | 12⅛ | 8.55-8.45 | 8¼-8½ | 2⅛-8⅛ |
| Two years ...... | — | 11⅝ | — | — | — | — |
| Three years..... | — | 11⅛ | — | — | — | — |
| Four years...... | — | 11⅛ | — | — | — | — |
| Five years...... | — | 11⅛ | — | — | — | — |

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period April 3 to May 7 (inclusive): 12.787 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13½ per cent from May 1, 1985. London and Scottish Clearing Bank Rates for lending 12½-13½ per cent. Bank Deposit Rates for sums at seven days' notice 6.65-7.25 per cent (net). Treasury Bills: Average tender rate of discount 11.8016 per cent. Certificates of Tax Deposit (Series 8): Deposits £100,000 and over held under one month 12⅞ per cent; one-three months 12¾ per cent; three-six months 12½ per cent; six-nine months 12¼ per cent; nine-12 months 12¾ per cent. Under £100,000 11¾ per cent from May 14. Deposits held under Series 6 12¾ per cent. The rate for all deposits withdrawn for cash 8 per cent.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. May 31) | |
|---|---|
| 3 months U.S. dollars | |
| bid 7 3/4 | offer 7 7/8 |
| 6 months U.S. dollars | |
| bid 8 | offer 8 1/8 |

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK (4 pm)**

| | |
|---|---|
| Prime rate | 10 |
| Broker loan rate | 8¾-8¾ |
| Fed funds | 7⅜ |
| Fed funds at intervention ... | (—) |

**Treasury Bills**

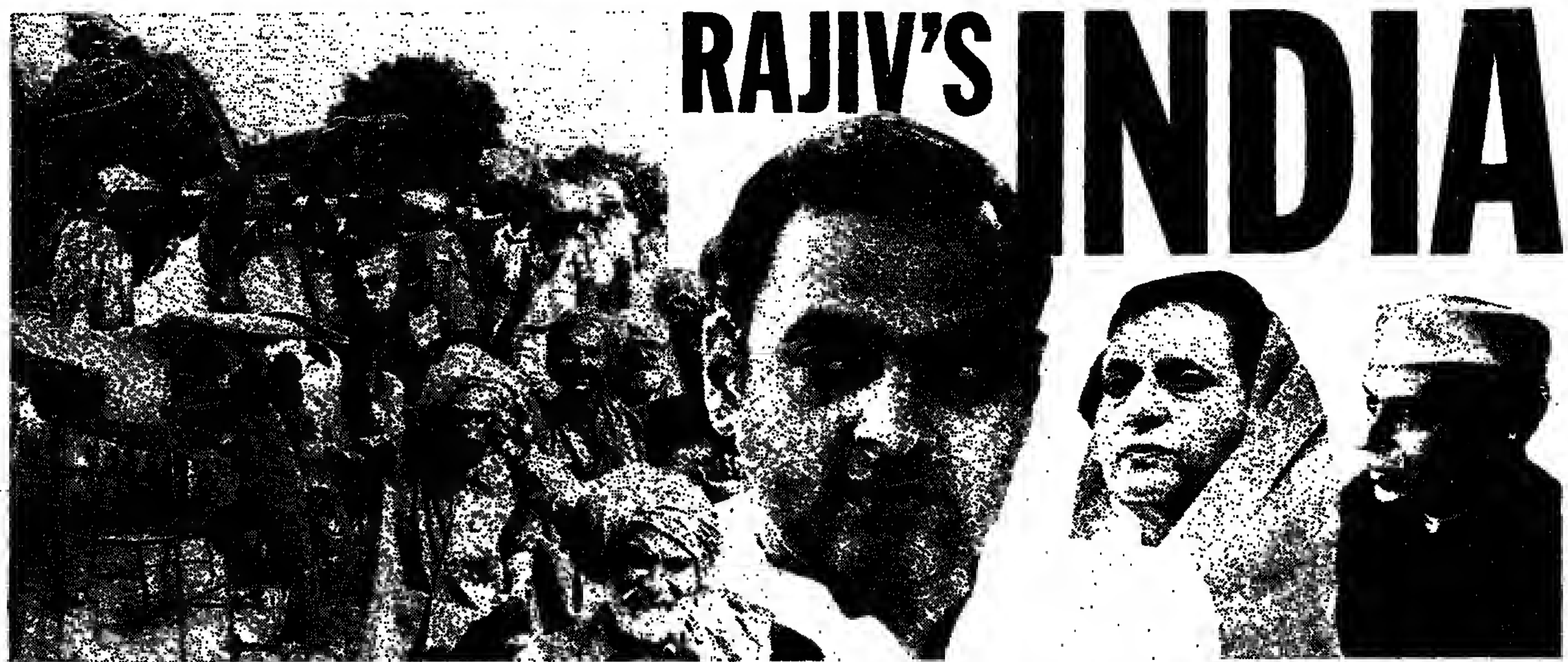
| | |
|---|---|
| One month | 6.95 |
| Two month | 7.05 |
| Three month | 7.12 |
| Six month | 7.23 |
| One year | 7.41 |

**Treasury Bonds**

| | |
|---|---|
| Two year | 100¹³⁄₃₂ |
| Three year | 101²⁹⁄₃₂ |
| Four year | 105¾ |
| Five year | 100¹³⁄₃₂ |
| Seven year | 107²⁰⁄₃₂ |
| 10 year | 105²¹⁄₃₂ |
| 30 year | 106⁸⁄₃₂ |

# FINANCIAL TIMES SURVEY

# RAJIV'S INDIA



Mr. Rajiv Gandhi, India's new 40-year-old leader, is shaking up lethargic traditions with liberalised policies to boost growth and efficiency, but communal unrest in Punjab and elsewhere remains a major problem. Inset, above, are former Prime Ministers, Mrs. Indira Gandhi and Mr. Jawaharlal Nehru, her father, founder of the family dynasty.

## Springboard for growth

By JOHN ELLIOTT

South Asia Correspondent

**IN THE past year India has been hit with two major shocks which are changing the course of its history.**

**The first, from which it has yet to recover, involved a series of violent and traumatic events starting a year ago this week (June 3) when Mrs Indira Gandhi, Prime Minister, ordered the Indian Army into the Sikhs' Golden Temple at Amritsar. Five months later she was slain by two Sikh bodyguards. Subsequently nearly 3,000 Sikhs were slaughtered by Hindus in vengeful riots.**

The second shock has been administered by Mr Rajiv Gandhi, who became Prime Minister of this strong but troubled country the day his mother died. With the vigour of a 40-year-old he is providing India with the springboard it has been needing for years to launch an economic and industrial lift-off, despite being constantly distracted by the Punjab crises that killed Mrs Gandhi.

In his first seven months as Prime Minister he has tried to eject the country from the inertia, lethargy and corruption which has bogged it down. He has a won the enthusiasm of young industrialists, top civil servants and some politicians, and he has started to cut through the self-serving and corrupt bureaucracy that is one of India's worst blights.

Now he is starting on his first major foreign tour, after a significant six-day visit to Russia, last month, and is visiting a series of countries including the U.S. and France.

He is making his mark on the world scene as the Prime Minister of a country of over 700m people—a country which needs more financial and technological help from developed countries but which is too proud, and too determined to be independent and non-aligned to bow to foreign pressures, either from countries like tha U.S. or from large multinational banks or industrial companies.

"Self reliance, not antarchy" is Mr Gandhi's description of the way he is prepared to soften principles of overall self-sufficiency and technological sovereignty in order to allow into India foreign finanse, technology, and company investments which will help speed India's development without demolishing domestic industry's chance to grow.

He will never do enough totally to please the most capitalist politicians of the U.S., nor all multi-nationals. And he will not shift foreign policy away from India's long friendship with the USSR, which has just struck trade and aid links stretching to tha year 2,000.

But he does want to develop a separate relationship with the U.S. although progress will depend largely on how willing the U.S. is to stop arming Pakistan and, more importantly, to stop it making a nuclear weapon. Generally, he wants to improve relations with Pakistan and other south Asian countries, which could win him international respect.

Mr Gandhi's politics are firmly rooted in the traditions of Mr Jawaharlal Nehru, India's first Prime Minister and founder of his family dynasty. But he has gone too far, too fast for some of India's older politicians, including people in tha Gandhis' own Congress I Party, with talk of new trade and industrial policies and with tax changes that have helped the upper middle classes, but hit the poor with sharp price rises. He has been speaking too bluntly about boosting the private sector and productivity, admitting foreign technology, allowing loss-making companies to die, and taking a tough line with the inefficient job-protecting public sector.

### Rehabilitation

"Mrs Gandhi would never hsve forgotten to mention socialism," says an elderly expert on Indian politics. "The presentation, especially of industrial policy, was faulty. Rajiv talked in the modern lingo of productivity, efficiency and jobs which sounded like unbridled capitalism and was not translated for older people used to hearing about socialism and planning."

That has now been corrected with suitable political speeches and the partial political rehabilitation of Mr Pranab Mukherjea (former Finance Minister and close aide of Mrs Gandhi), who was summarily dropped by Mr Gandhi from ministerial office.

Socialism was stressed at a recent key meeting of the Gandhi's ruling Congress I Party. Socialism in India is not intended to mean bureaucratic centralism or widespread nationalisations, but egalitarianism. It is a translation of the Hindi word *samyavad* which means equal. So socialism is a policy to bridge the widening gaps between the rich and poor which help cause a lot of communal tensions.

But there are worries in industry, about whether Mr Gandhi's political balancing speeches will be taken as signals by middle and junior civil servants and others that nothing really has to change and that the shock of Mr Gandhi's tough beginning will fade away.

Industrial policy reforms are, however, continuing to ba announced as they are finalised, liberalising industries and large companies from many restrictions. A new five-year fiscal policy is due within a few months, after the country's new five-year plan for 1985-90 has been announced.

"I don't believe Indian society has the strength to withstand the rigours of competition, which in the raw sense means that some industries will go to the wall and jobs will be lost," says Dr Fredie Mehta, a noted economic commentator and a director of the large Tata Industrial Group.

"The political problem is quite acute — with our size of population, we cannot be oblivious to that. No policy-maker in India can give up the employment angle," says Mr Vishwanath Pratap Singh, Finance and Commerce Minister who is now involved in framing industrial policies. Tha aim is to allow loss-makers to die and take a tough line with over-employment in tha public sector, while finding fresh employment for people affected.

### Shortages

Mr Singh says that there has been a response by industry in terms of investment to the new liberalising policies. Major changes in industrial licensing procedures have speeded up the launching of projects and have encouraged industrialists to prepare more investment plans.

In a country where perennial shortages have meant that almost any consumer item can be sold, irrespective of quality or prices, the pinnacle of industrial achievement, until now, has been to win industrial approvals from bureaucrats and to lay down repntation-building money-spinning assets.

Mr Gandhi is trying to change that by freeing industrialists from many controls so that they can react to market pressures meeting rapidly growing consumer demands and producing goods that are internationally competitive. This requires increased imports of high technology and of raw materials and intermediate goods.

The country's economy is sound at present with 4 per cent industrial growth and inflation comfortably below double figures, but industry needs to

CONTINUED ON PAGE 3

CONTENTS



● This survey was written by John Elliott, South Asia Correspondent, based in New Delhi; with Alain Cass Asian Editor; D. P. Kumar, New Delhi; Philip Stephens; Dina Thomson; R. C. Murthy, Bombay; and P. C. Mahanti, Calcutta.

● Pictures by Leonard Burt.

Serious elections setbacks in South India

# Sombre warning for Congress

**WHEN Mr Rajiv Gandhi was swept to power after his mother was assassinated, his ruling Congress (I) party captured a record number of seats in the Lok Sabha, the lower house of Parliament.**

Last December's general election gave Congress (I) more than 400 seats in the 542-member Parliament. A wave of sympahty, his own fresh, clean image and, above all else, India's desire to appear united in the face of crisis gave the third Nehru the biggest majority in India's modern political history.

Mr Gandhi and a euphoric Congress (I), demoralised after years of being reduced to *relative insignificance by* a leader who arrogated all significant powers to herself, hoped to repeat tho magic in March when India went to tho polls again, this time to elect state assemblies.

## The political scene

ALAIN CASS

It was not to be. Although Congress (I) strengthened its hold in a number of states in the Hindi belt of the north, its traditional stronghold, the party suffered a serious setback in a number of ether states, notably in the south of the country.

Andhra Pradesh voted for the ageing film star, Mr N. T. Rama Rao, whom Mrs Gandhi tried to topple last year. Congress also lost Karnataka, Tamil Nadu, West Bengal, Sikkim *and* Tripura. It came within a whisker of being beaten in the wealthy and immensly *important state of* Maharashtra.

### Setbacks

Mr Gandhi's party also suf*fered setbacks* et *the* by-elections to three Lok Sabha and 26 Assembly seats contested in early May. Over 5m voters, spread over 10 states, delivered a sombre warning to the Congress. The ruling party won only seven of the assembly seets and lost two parliamentary seats, ono in Uttar Pradesh, Congress heartland and home state of Mr Gandhi, the Prime Minister.

The view that tho shine was beginning to wear off Mr Gandhi's December victory was reinforced when the right-wing extremist Hindu party, the Shiv Sena, captured Bombay Municipal Corporation in May.

Whether the state assembly electiens signallod that Congress (I) was back on its downward path as a party of receding national stature which could only count on winning the states of the Gangetic plain is too early to say.

What *is* clear, however, is that Mr Gandhi's historie victory in December was a vote *for unity not for* Congress (I). It did not revolutionise tho face of Indian politics by its mere occurrence.

What *is equally* clear is that if Mr Gandhi is to halt the underlying deterioration of his party's position and consolidate his hold on power he will *have to address himself* to the central political problem of his generation: the fractious re*lationship between New Delhi*, the capital, and India'e 22 states.

*Tackling* individual problems such as the Punjab or the violence in Gujarat over the *question of job reservation for* backward castes is one thing. Developing a coherent policy *which devolves sufficient power* to the states without endangering national unity is another.

The theme of centre-state relations has all but dominated the dialogue between tho political parties since the Emergency in 1975. Tho two-year clampdown by Mrs Indira *Gandhi, when all* parties were banned, was the most spectacular example of New *Dolhi's exercise of monopoly powers*.

The two issues which lie at the core of the problem are the question of financial allocations to the states by the *centre in a country* whore the gap between rich and poor is the most volatile, single factor and *the central gevernment's* increasing habit to undermine or tepple unfriendly state *government's*.

The perception has grown in the "rim-lands" of India-West Bengal to Kerala and Maharashtra to Tamil Nadu—that New Delhi has made a policy of discriminating for or against stato governments it favoured, or wanted to get rid of, by granting or withholding funds. This olleged economic favouritism lies at the core of many of strained centre-state relations.

*This* feeling *that the centre* has been increasingly insensitive to tho economic and political aspiration of tho regions has led both to tho rise of regional parties as well as te *the encouragement* of extremism such as the secessionist movements of Punjab and Assam. These *fissiparous* tendencies have been reinforced by the virtual absence of credible national opposition to Congress (I) since Mrs Gandhi was returned to power in 1980.

It would be a mistake to represent the rise of these regional parties as a threat to India's integrity. There are those whe argue, with some force, that tho phenomenen is merely part of a maturing process. Nevertheless, the rise and, what is more important, the survival of such diverso parties as the DMK in *Tamil Nadu*, the Teluga Desam in Andhra Pradesh, tho National Conference in Kash*mir and the Akali Dal in Pun*jab represent o major challenge to Mr Gandhi's statesmanship.

### New broom

Mr Gandhi has made a start by taking a new broom to his own party in an effort to *freshen up its tarnished image*. For tho national elections about 200 out of 500 contesting candi*dates* were *replaced*. *In the* assembly elections in March Mr Gandhi proved even *mere* ruthless. Over *1,000 candidates* were teld to stand down and be replaced by ethors. This was eut of a total 2,500 Congress (I) candidates or over one-third of tho parliamentary party at state level.

Says Mr Srikant Varma, one of Mr Gandhi's tough new breed *of Party Secretaries*: "We are determined to revamp the party. We have started getting rid ef *those who are* corrupt, inefficient or incompetent. Our emphasis new is on youth and women. *The process* will continue. If people don't de a good jeb, we'll drop thom."

Altheugh close observers of Congress (I) have seen one or two old faces sneak back into the party lists, most *people* are giving the Prime Minister credit for taekling a problem which had been left to fester for years.

Shortly after he came to office, Mr Gandhi also guided through parliament a Bill prohibiting defections by MPs from one party to another. This had reached *farcical* levels in somo states where MPs were known to cross the floor several times in a *sitting* for money or patronage.

Mr Gandhi is taking other steps to give Indian politics a new look. He is proposing a measure to allow industry to contribute legally to political parties. *This* would *have* the offect of reducing the flood of black market money passed to *politicians* under the counter by companies for their own ends-money which is almost entirely unaccounted *for*. He is also actively restructuring the Congress Party'e youth wing.

Mr Gandhi will face a number of crucial tests in the next few months which will give him a chance to demonstrate whether ho is able to stand by his election pledge to give India a new look. Gujarat, where a Congress (I) Chief Minister overplayed his hand after a landslide election victory, provoking serious communal violence. Punjab, where the systematic weakening of tho moderate Sikh leadership, the *Akali Dal*, has been an important contributing factor to the instability. Kashmir, where an *incumbent* administration appears increasingly besieged and where an election would probably oust Congress (I) and return the National Conference.

Mr Gandhi's suppotrers says he is determined *to* bring about real change and say he has begun the process. Even some of his opponents, such as the charismatic Mr A. B. Vajpayee, leader of the opposition Bharatiya Janata Party (BJP) give him some credit. "He has made a good start, I believe he is sincere," says Mr Vajpayee although he adds: "He has begun to falter recently."

Mr Gandhi's critics say that, while is clear thinking in some areas, he is too easily influenced by those close te him and has merely replaced his mother's kitchen cabinet with his own.

The truth may be somewhere in between. Mr Gandhi will certainly have plenty of opportunities to prove his commitments to change.



**● Rajiv Gandhi, above, is faced with the need to halt the underlying deterioration of his party's position and to consolidate his hold on power.**

**● *On* broad social levels, Mr Gandhi has bold plans for reforms in India's educational system which he considers essential to propel the nation to its proper place in the 21st century. Above, right, is a view of an apprentice training school, where students work at lathes, form-fitting and chamfering. The Government has made a major increase in the funds alloted to education—the projected increase in the budget for 1985-86 has been increased from Rs 4.13bn to Rs 5.04bn.**

**● Pictured right are drummors and minstrels who led 5,000 Sikhs from the Golden Templo recently, in a parade to celebrate the festival of Baisakhi. Mounted police and troops with machine guns kept watch during the celebrations.**

# The Punjab: no simple solution to sectarian conflict problem

REVOLTS by India's strong regional forces against the centre are nothing new. They do not necessarily threaten India's unity, as foreigners often think and Indian leaders often claim for their convenience, but they are none the less serious fer that.

Mrs Indira Gandhi was faced with a rising tide of regional epposition. Assam and the north-east, Kashmir and the increasingly powerful political forces in India's southern states of Andhra Pradesh, Tamil Nadu and Karnataka.

Each had an entirely different cause and not all erupted in violence. But they had one common factor: resistance to strong, central authority.

By far the greatest challenge to that authority, however, is the most recent of India's regions in revolt: Punjab. Despito the present Government's firm intention *to find a political solution* to the problem, the situation has all the signs of an intractable sectarian conflict in which the extremists are, for the present, in control.

The problem is magnified because Punjab is India's richest state and it sits awk*wardly on the country's* border with Pakistan, inviting Indian accusations of foreign interference.

The situation, fellowing Mrs Gandhi's decision to storm the Golden Temple in Amritsar last year, followed by her own assassination, and the unrest which followed, appeared to be taking a turn for the better in the first week of May.

### Militants

Mr Gandhi's urgent efforts to defuse the crisis and his willingness to make concessions to the Sikh community in an effort to shore up the flagging support for the moderate Sikh political party the Akali Dal, appeared to be paying off.

Then came the wave of bombings on May 10 in and around *New Delhi in which* more than 90 people died. This closely followed a move *by* 90-year-old Joginder Singh, father of Sant Jarnail Bhindrawale, leader of the militants, inside the Golden Temple when it was stormed by Indian troops last June, to form a "new" Akali Dal. Reviled for "surrendering" to Indian troops at the Golden Temple and increasingly isolated as the radicals gained the upper hand in Punjab Sant Harchand Singh Longowal, the leader of the moderate Akali Dal, resigned. This brought out into the open the deep split between tho hawks and the doves in the Sikh community.

Hopes for a solution based on the five points originally demanded by the Akali Dal, which included a transfer of Chandigarh as capital of Punjab, were dashed. Even a decision by Mr Gandhi te appoint a commission to look into the slaughter of Sikhs in Delhi after his mother's killing failed to blunt growing demands fer full-blown autonomy for Punjab.

Although Longowal remains in force with considerable support among moderate Sikhs, the chances of a quick settlement are slim.

# Strong measures to combat violence

**MR RAJIV GANDHI, India's new Prime Minister, has decided to tackle one of India's most deeply-rooted *problems with all the enthusiasm of youth*.**

The problem — communal violence which results from India's divisive caste system — was thrust upon him when a political ploy, aimed at securing more votes for his ruling Congress (I) Party in the state of Gujarat, backfired badly.

The trouble in Gujarat flared when the incumbent state administration announced that it would increase the number of jobs and places at colleges automatically awarded to the so-called *scheduled castes* and tribes, regardless of merit, by a whopping 18 per cent. This, despite the fact that *the previous quoto* of jobs and places reserved for them — 31 per cent — had not been fully taken up.

## The divisive caste system

ALAIN CASS

Under India's constitution a certain number of political economic, educational and social benefits are reserved for the country's estimated 154m lower castes, such as the *harijans* or "*untouchables*," and "backward" tribes. This is because, under the rigid caste hierarchy which determines the advancement of many Indians the higher castes exercise a powerful hold over the levers of power and use these to perpetuate their ascendancy.

This positive discrimination *operates in most areas of life*, inclodiing the Indian Parliament where 119 out of 542 seats in the Lokh Sabe or Lower House are reserved for Scheduled castes. Tho same system operates in India's 22 *State* assemblies. The founders of India's constitution saw this as the most effective way of giving the country's disadvantaged people a massive leg-up in the years after Independence.

The idea, which was always resented hy many upper castes who saw their historical advantages being eroded, has met with increasingly stiff opposition as some so-called backward classes, taking advantage of the provisions, have significantly improved their positions.

The result is that in some places, such as Gujarat, upper castes *such as the Brahmins* (mostly civil servants and officials) and Patels, the largely landed, wealthy classes, have found themselves being steadily pushed out of positions of influence and prominence.

Consequently, when the stato government decided to make an even greater number of opportunities available to the backward castes just before the assembly elections, there was o predictable explosion which resulted in *months of communal* violence.

Mr Gandhi has now stepped in and asked state governments not to make any further changes to existing quotas. He has also asked *for views on* how the existing provisions can be changed to make them more equitable.

One suggestion being examined is that a certain section *of* those catered *for* under the reservation clause should be required to pass a means test based on *their* earnings or wealth before being given special privileges. This would not apply to the so-called Scheduled Castes and Tribes but to what are known as "other backward classes." These constitute around 10 per cent of India's 750m population. Many have managed to pull themselves up since Independence and do not need special help.

Tho issue is one ef the most volatile in Indian politics and is liable to trigger off widespread unrest, unless carefully handled. But the need for a re-assessment of the present system is widely supported.

What *Mr Gandhi will* have to do is steer a line between giving in to pressure from the better-off and dismantling a provision which many Indians agree is tho only way to overcome tho divisive and dangerous prejudice of the most entrenched class system in the world.

# Change of emphasis at primary levels

## Reforms in education

K. K. SHARMA
New Delhi

INDIA'S new education policy is now being formulated and will be implemented from the 1986-87 academic year.

What shape it will take will depend on experts now working on the policy, but the tasks are enormous. At the primary school level alone, Mr K. C. Pant, *the Minister of Education*, has announced that 24m children will be given "formal education" in the next five years.

This suggests a change in emphasis because, although Mr Pant has stated that the Government does not intend to modify its declared policy to provide free and compulsory primary education, the accent is clearly shifting.

While 24m children will receive "formal education" in primary schools, another 39m will have what observers have concluded is "informal education" simply because existing facilities to cope with all the school-going children are hopelessly insufficient.

This gives some idea of the gigantic task ahead of the *Government in giving effect* to Mr Rajiv Gandhi's plans for reforms in education which he *considers essential to* propel India to its proper place in the 21st century and to increase employment *opportunities*.

Mr Gandhi has spoken of the needs for reform and has made it clear he will insist on priority being given to such a vital subject. Apart from broad guidelines in his public statements, the job has been left to experts.

Mr Gandhi's own remarks suggest that he wants "to use on a large scale the new communication technology in our school system" and that "delinking of degrees from jobs under the Government is under active *consideration*."

Steps are being taken, he says, to establish an "open university" to *bring higher* education within easy reach of all.

"I would strongly emphasise education's organic link with the productive forces of society. We shall reorganise vocational education to align it with industry, agriculture, communications ond other productive sectors of our economy," he says.

As yet, there are few indications on how these aspirations will be given effect. *The* Government has made a start by a major increase in funds alloted to education. The provision in the budget for 1985-86 has been increased to Rs 5.04bn from Rs 4.13bn in tho previous year. This is expected to rise further when the new education policy is implemented from next year.

Vocational education is to be given importance because in the past 37 years there has been a massive rise in the number of "educated unemployed." There were some 2.13m graduate and post graduate job-seekers on the live registers of employment exchanges at the end of last year.

# Challenges for new Prime Minister

CONTINUED FROM PAGE 1

pick up quickly if a target of 5 per cent annual economic growth set for the next five-year plan of 1985-90 is to be achieved.

The World Bank's annual report on India, completed last month, warns that exports need to grow by 7 to 9 per cent in the same period instead of the current 4 to 5 per cent to cover imports and international debt repayments. The report called this a "strained but manageable scenario," but added that there was a risk of India missing its targets and having to fall back to "low and less efficient growth patterns."

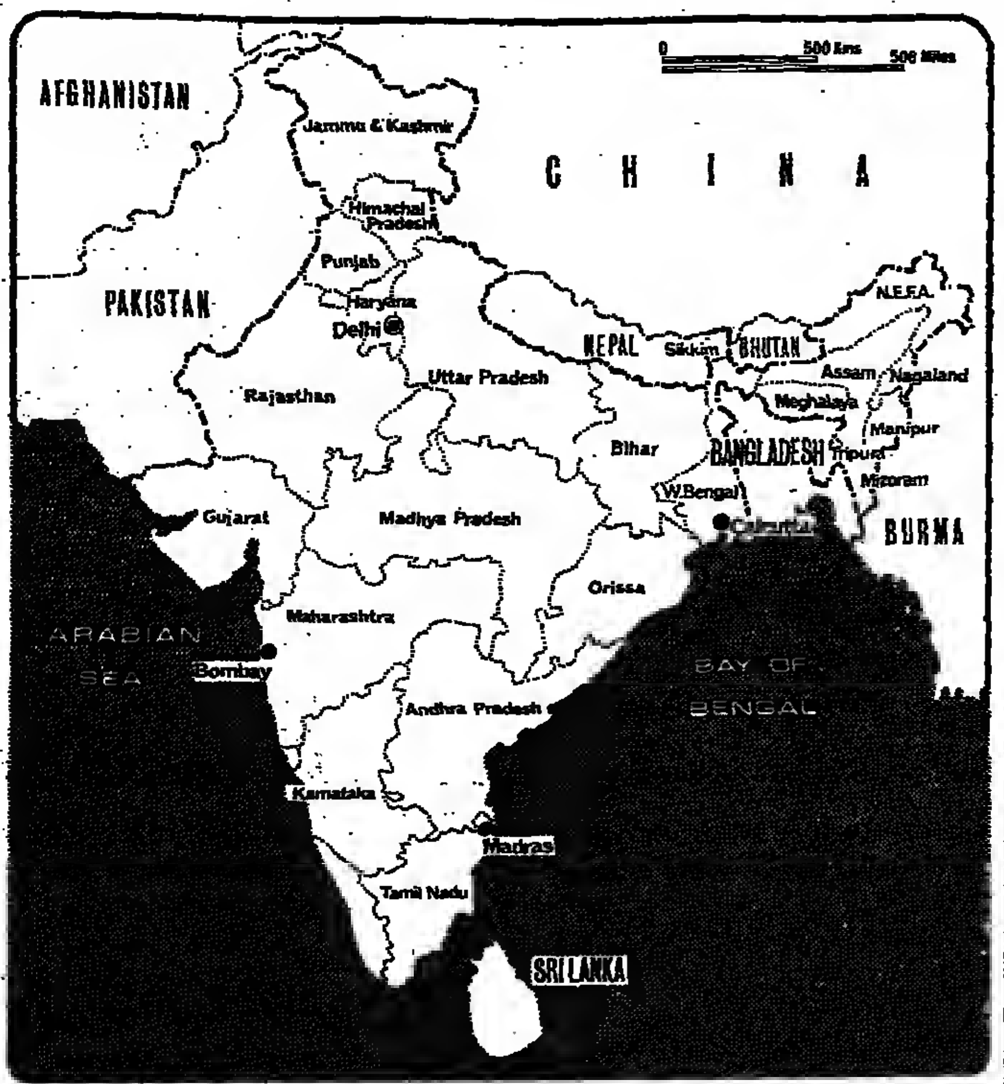
## Unrest

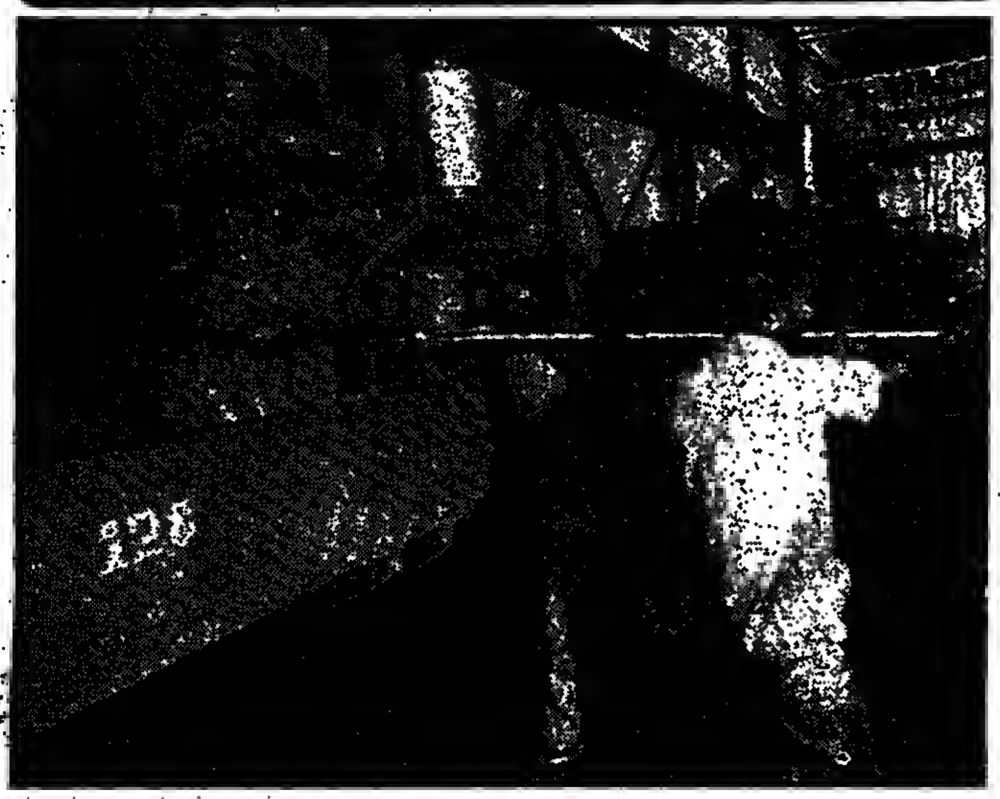
But while there might be economic problems in the future, it is India's communal unrest that is causing most concern and is diverting Mr Gandhi's attention away from economic subjects.

The worst situation is the Punjab which is proving difficult to solve and is posing a possibly long-term terrorist threat.

Assam and other remote north-eastern states suffer regular unrest and the violence in the prosperous western state of Gujarat underlines the problems caused by the country's deeply-embedded caste system and by Hindu-Muslim tensions.

Mr Gandhi says his priorities are curbing population growth, making India more homogenous, and reducing poverty with economic and industrial development. Within those broad aims, a solution for the Punjab and record export growth are the top priorities.



The Bangalore assembly line of Bharat Earth Movers (right). Mr Gandhi is freeing industry from many controls so they can react to market pressures.

Rajiv Gandhi appears to want few major foreign policy changes, but his style is more gentle than that of his late mother.

# A more pragmatic approach

**India and the wider world**

JOHN ELLIOTT
New Delhi

**MR RAJIV GANDHI is setting out to win the international respect for himself accorded to his late mother, Mrs Indira Gandhi, as Prime Minister of India and also as the leading statesman of South Asia and the current chairman of the non-aligned movement.**

After a successful tour of the USSR last month, he is this month visiting France and the U.S. to launch Festivals of India which are similar to the cultural and other events staged in the UK in 1982. He is also visiting Egypt, Algeria and Switzerland (to address the International Labour Organisation).

In October, he will go to the Commonwealth Heads of Government Meeting in the Bahamas and the United Nations 40th anniversary celebrations in New York, probably with a brief visit to the UK on the way.

Mrs Gandhi was an aggressive but quietly charismatic politician who alternately charmed and aggravated other international leaders as she proudly led the world's largest democracy and one of the most important developing countries. She ended her life with a possibly higher reputation abroad than among her own urban electorate (who were often more sceptical of her domestic policies than India's rural masses).

Mr Gandhi, who is also Foreign Minister, is showing signs of being more gentle and pragmatic in his approach, especially in South Asia where India's neighbours, such as Bangladesh and Sri Lanka, felt constantly bullied by his mother.

## Key issues

But this does not mean that there are any major basic changes in India's approach to its foreign policy which is based on three inter-linked issues:

- A distrust of Pakistan, its muslim neighbour, and opposition to U.S. activities there, specially the supply of advanced defence equipment following the Russian occupation of Afghanistan. India would obviously feel more secure with both super powers out of Afghanistan and Pakistan.
- Improving relations with the South Asian neighbours which is described as Mr Gandhi's highest foreign policy priority.

"We will be judged by how we get on with our neighbours," says Mr Romesh Bhandari, Foreign Secretary.

- Cultivation separately of relationships with the two Super Powers. The approach to each is "based on its own logic," says Mr Bhandari. The U.S. has helped by telling India it accepts India can have good relationships with both it and the USSR.

Lower down its scale of immediate priorities, but still important, is concern about super power activities in the Indian Ocean and about the security of India's northern border with China.

The easiest of all India's foreign relationships is with the USSR, as was shown during Mr Gandhi's visit last month when he finalised trade and other links, including a $1.2bn long-term credit, to take the two countries up to the next century.

The USSR is India's major arms supplier. India knows that the defence and industrial equipment it buys is often less modern and less efficient than is available from its other suppliers in the West. But the purchases from Russia are cheap and provide the basis for its defence forces and are a useful supplement for its industrial development.

Mr Gandhi has always spoken more warmly about the USSR than the U.S., despite his own personal fascination with high technology which inevitably draws him to the U.S.

But hopes in the West that he would tilt the balance significantly away from the USSR and towards the U.S. have been dashed.

"With the USSR we have a very strong friendship. They helped us in building our industries and they have stood by us at times of need. The U.S. has let us down on a number of occasions — the 1971 Bangladesh war; 1965, Pakistan, and on one or two defence items where we spent a very long time talking to them and ultimately they put conditions that were just not acceptable to us," said Mr Gandhi in a recent interview with the Financial Times.

On Russian television he talked about India and the USSR's similar views on subjects such as "colonialism, imperialism, the struggle for freedom, and the right to self-determination." He added that "we will strengthen our ties with the USSR and make them even closer."

Handshakes in the Kremlin: Mr Mikhail Gorbachev, General Secretary of the Soviet Communist Party, welcomes Mr Rajiv Gandhi during his recent visit to the Soviet Union. Mr Gandhi has always spoken more warmly about the USSR than the US

## Contrasts

While the USSR has managed its relations with India skilfully for many years, the U.S. has mishandled them.

"India has no place in the global strategy of the U.S.," said Mrs Gandhi, last year, reflecting anger and frustration at the way the World Bank's concessionary lending was being cut-back and the way the U.S. was arming Pakistan with weaponry that India claims could never be used in the mountainous border with Afghanistan but could be used on its border plains.

The U.S. is now trying to start improving the relationship. It has been preparing the ground for Mr Gandhi's visit with an endless stream of dignitaries passing through New Delhi.

It is also implementing a memorandum of understanding on computer and other high technology sales, having overcome some of its fears of leakages of technology through India to the USSR.

Talks are taking place on possible defence sales including Hercules aircraft, some army weaponry, and electronic equipment. But India distrusts the U.S., fearing it will cut off supplies and spares in the future. A memorandum of understanding that would cover contentious areas such as spares supplies, safeguards and security risks, is also being discussed.

But Mr Gandhi's main aim is to persuade the U.S. to be tough with Pakistan over its suspected development of a nuclear weapon. On that, he may have some success. But he will fail in his other aim—to persuade the U.S. to stop arming Pakistan with advanced weaponry which will therefore remain a constant irritant to Indo-U.S. relations.

India worries over Pakistan's 'relentless pursuit of nuclear capability'.

# Facing up to the nuclear 'threat'

**FOR THE first time ever, the usually bland annual report of India's Defence Ministry this year raised the controversial issue of nuclear weapons on the sub-continent.**

**A single sentence refers to India's "concern" at Pakistan's "relentless pursuit of nuclear capability with the assistance and connivance of certain countries." This, says the reports, adds a new dimension to India's security environment, implying that something should be done to meet the threat.**

## Concern over defence issues

ALAIN CASS

India's official stand remains that the country will not manufacture nuclear weapons. This position has been reiterated for the past 20 years by succeeding leaders including Mrs Indira Gandhi, Mr Morarji Desai, Prime Minister in the Janata Government in the late seventies and, more recently, by Mr Rajiv Gandhi.

Nevertheless, the raising of this issue by Mr Narasimha Rao, the Defence Minister, in his annual report, points to a new development: the first official hint that the Government of India is seriously willing to examine its nuclear option.

References have been made to it before by Foreign and Defence Ministers. Mr S. B. Chavan, the previous Defence Minister, told the Lok Sabha in March, 1984 that Pakistan had acquired the capability of manufacturing nuclear weapons and India would undertake "appropriate" measures. But they have not carried the full imprimatur of the administration until now.

### Argument

India's small but powerful pro-nuclear lobby predictably seized upon Mr Rao's reference to Pakistan in the annual report and called for an Indian bomb. Those who argue for the nuclear option do so on two grounds:

● First, that India needs a nuclear arsenal if Pakistan, which is universally regarded as the country's principal security concern, is making its own.

● Second, that a country which accounts for one sixth of humanity should start behaving like a world power if it is to be taken seriously. This, they argue, would accord with Jawaharlal Nehru's belief that, in due course, India should take its place alongside the U.S., the USSR and China in the world community.

If Pakistan were to acquire nuclear weapons or even if it were to set off a nuclear explosion the pressure on the Indian Government to go down the nuclear road would be almost irresistible. Until that happens, however, India is unlikely to deviate from its stated course.

*What it may do, however, indeed what it may have already begun is a strategy of ambiguity in which, by encouraging a debate about India's nuclear option through hints and nods, New Delhi serves notice that, if the circumstances arise, it might reverse its present no-bomb policy.*

"After all," says one defence expert, "*that is precisely what* Pakistan is doing. It's keeping the world guessing. It may be a bluff, it may not. But who would be willing to call it?"

Mr Gandhi is, meanwhile, pursuing the strategy of diversifying India's source of arms supplies to supplement the country's substantial home-made weapons and components.

India's internal defence programme consists of 34 ordnance factories and eight other public sector units—such as Hindusthan Aeronautics which assembles Soviet, Anglo-French and indigenous aircraft—with a total annual turnover of over Rs 22bn.

The issue of India purchasing American weapons has been actively debated over the past few months and will be a central topic when Mr Gandhi visits Washington later in June.

Mr Gandhi's accession to power has given the two countries an opportunity to reassess their relations, which have been difficult, partly because of American backing for Pakistan and partly because of India's close relations with the Soviet Union.

Mr Gandhi is expected to formally conclude an agreement while in the U.S. which would permit India to purchase highly advanced American technology. In May Mr Fred Ikle, U.S. Under-Secretary for Defence, held talks with senior officials in Delhi about India's requirements which include anti-tank missiles, artillery, C-130 transport aircraft, small arms and electronic surveillance and guidance systems.

India also signed an agreement with Italy for research and development for electronic defence products as part of the armed forces efforts to modernise its infrastructure.

The Indian Navy is likely to purchase 11 Sea Harrier jump jets at a cost of over £100m—possibly accompanied by the British Sea Eagle missile—despite the row over India's decision not to go ahead with the purchase of Westland helicopters.

In the past five years India has also signed deals to purchase 120 Anglo-French Jaguar aircraft, 40 French Mirage fighters, West German submarines and British Sea-King helicopters.

Despite these attempts at diversification, however, India is still expected to rely chiefly on the Soviet Union for its weapons inventory.

Moscow has offered India the advanced MiG-29—the newest fighter in the Soviet inventory—which Indian pilots regard as more than a match for the U.S. F-16 delivered to Pakistan as part of a $3.6bn arms and economic aid deal.

About 80 per cent of India's military equipment comes from the Soviet Union, and defence specialists in India have shown some concern at the Government's diversification programme. Given India's huge investment in Soviet systems, a radical departure at this stage seems unlikely.

Critics of diversification also argue that, in the event of a war with Pakistan, only the Soviet Union could be relied on to resupply India unconditionally.

● PLO chairman Yassir Arafat and Prime Minister Rajiv Gandhi link hands and wave to crowds at Delhi Air Force base when Arafat arrived for a non-aligned foreign ministers' conference. Below: troops on patrol in Bombay during a curfew

# Five reactors now in operation

**INDIA'S NUCLEAR programme is slowly but successfully edging towards the point where it will begin to make a significant contribution to the country's chaotic electricity supplies, using almost entirely Indian technology.**

"For the past 15 years it has been a prototype activity. For the next 15 years we will be industrialising, and after the year 2,000 it will be fully industrialised power production," says Dr M. R. Srinivasan, chairman of India's Nuclear Power Board.

## Nuclear power programme

JOHN ELLIOTT
New Delhi

The board was set up last August by the Department of Atomic Energy to build and operate nuclear power stations.

The target for the year 2000, regarded as over-ambitious by many foreign experts, is a total of 10,000mw nuclear capacity to produce 10 per cent of the country's electricity supplies compared with 3 to 4½ per cent now.

India's nuclear programme may become more controversial both domestically and internationally if the U.S. fails successfully to ensure that Pakistan is not developing a nuclear weapon. Mr Rajiv Gandhi warned last month that India would have to decide what action to take if Pakistan did produce a weapon.

Although officially this remark was intended to indicate a re-appraisal of India's relationship with both the U.S. and Pakistan, there was also a hint that India might also have to reconsider its own nuclear policy. In 1974, India staged what it called a "peaceful nuclear explosion" in the western Rajasthan desert and says it has developed and tested nothing since then.

### Demands

But there could well be a surge of popular and political suport in India for a revived nuclear weapons programme if Pakistan appears to be presenting a nuclear threat.

After years of problems in developing peaceful uses for nuclear energy, India now has five reactors totalling about 1,000mw in operation and another five are planned to bring the total to nearly 2,200mw by 1990. The target for 1995 is just over 4,400mw to include two more reactors at Kota in Rajasthan and two more in the southern state of Karnataka.

All the existing reactors, and those planned to 1990, are 220 to 235 Mw, but 500 Mw reactors are now being developed, with two planned for un-named sites in 1990-95.

Both the units at India's first station at Tarapur north of Bombay were U.S.-designed boiling water reactors and the rest are pressurised heavy water reactors.

A 15 Mw fast-breeder test reactor is to be opened in Madras in the autumn and the Government has agreed, in principla, to set up a technical development team to take India into fast breeder technology with a 500 Mw reactor for the late 1990s.

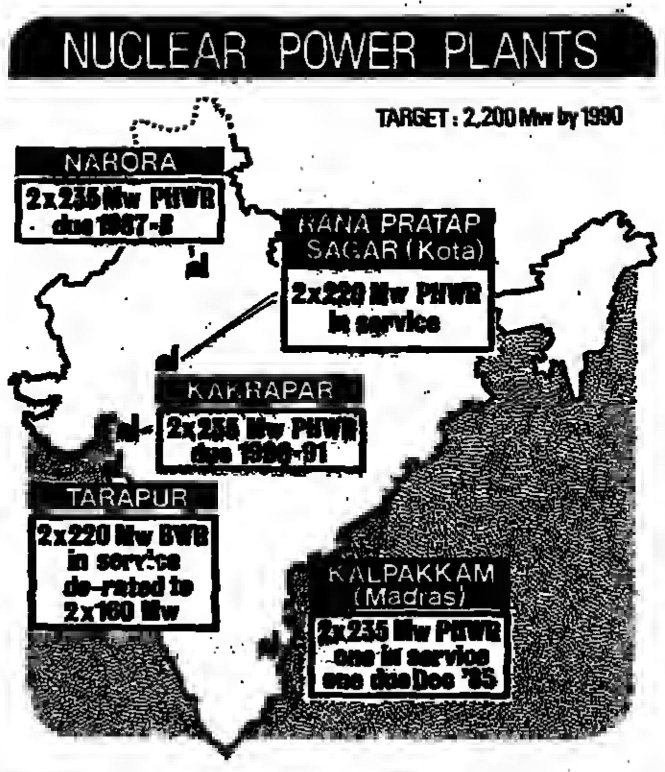
A decision will probably be made later this year whether to speed up progress towards the 10,000 Mw target by accepting an offer of a nuclear station which the Soviet Union has been pressing India to take for some time.

Some leading nuclear scientists would like the Russian offer to be refused, arguing that India has now developed sufficient indigenous know-how to be able to dispense with foreign help.

Those in favour of the offer are winning considerable political support by arguing that such a contribution to the reduction of India's electricity shortages should not be turned down.

There may be a problem because Russia would have to agree that only limited nuclear safeguards would be introduced. India has never allowed general inspection of its nuclear facilities.

This Indian policy on safeguards dogged the country's developments in the 1970s when help and supplies from the U.S., Canada and elsewhere dried up following the Rajasthan desert explosion.




Now India is approaching the position of being self-sufficient. It has not needed to respond to a U.S. offer made last year to arrange the supply of nuclear spares through its Western allies. Dr Srinivasan says that "nothing of significance" has been imported during the past two years for Tarapur, which felt the brunt of the 1970s boycott.

### Safeguards

With limited safeguards arrangements, France has been selling India enriched uranium and is offering more help. Germany has in the past helped with spares for Tarapur. Russia also supplies heavywater for periodic topping up of the second reactor at Rana Pratap Sagar, near Kota in Rajasthan.

India now has its own heavy water for its reactors at Kalpakkam near Madras in Tamil Nadu.

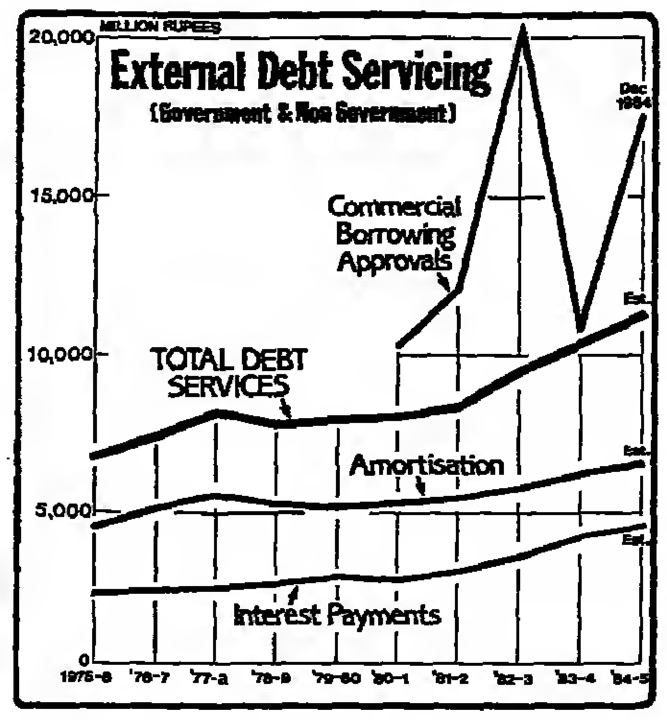
Although many of the reactors have been working at far from full capacity for many years, Dr Srinivasan says that "our units are beginning to do well." Capacity factors of just over 64 per cent were achieved at Kota in 1983-84 and of 72 per cent during 1984 at Kalpakkam during the first year *of operation of Kalpakkam's* first reactor.

Tarapur has been de-rated from 230 Mw to 160 Mw and is working at 95.7 per cent of the de-rated capacity or 76 per cent of the design capacity, according to Dr Srinivasan. These figures compare with international standards of 70 per cent load-capacity for economic viability.

Electricity prices from the nuclear stations, located in the west and south of the country, average 87 paise (about 2p) per kilo watt hour. This is about 25 per cent less than coal-fired power stations in the same areas because of the cost of transporting coal from mines in the north-east.

So India still has a long way to go before its nuclear power programme is an economic success. In the meantime it is proud of its indigenous technology and that it is far further ahead than its two neighbours Pakistan and China.

"The Triumph of Labour"—a statue in Madras. India's Government is making bold plans for industrial modernisation and for boosting efficiency. The aim is to increase the annual output of industry by 7 per cent —a target which many independent observers regard as over-optimistic. There are also doubts about how quickly the drive for efficiency can be achieved, particularly in the public sector




# Challenge is to maintain rate of growth

## Creditable performance by economy

PHILIP STEPHENS

ECONOMIC GROWTH of 5 per cent a year on average since 1980 is a creditable performance even for a developing country. The challenge for Rajiv Gandhi's India is to achieve the same for the rest of the decade.

The mood in government, and among businessmen and economists is at present one of optimism. But as ministers finalise tha seventh five-year plan for 1985-86 to 1989-90 some of the risks and constraints are becoming painfully apparent.

The tone for the Plan, which officially started in April, was set in Mr Gandhi's first budget a month earlier. The emphasis was on tax reforms (and cuts), industrial liberalisation, and, above all, modernisation and efficiency.

### Competitive

The promise was that a nation which has so far invested vast resources in self-sufficiency at almost any cost would undertake a second industrial revolution to make it competitive in international markets.

The means will be some dismantling of the protectionist cocoon which has so far shielded Indian industry from the rigours of competition, domestic and international, and left it with a reputation for high prices and poor quality.

There will also have to be some slimming of the huge bureaucracy which many economists believe is stifling the public sector; and a much better return from investment in state-run enterprises.

Mr VP Singb, the Minister of Financc and Commerce, is under no illusions that the success of the Government's strategy will depend on a decisive improvement in India's dismal export performance.

Liberalisation of the import regime, the bunrhing of commercial debt in the late 1980s, the repayments due on a SDR 3.9bn loan from the IMF and reduced aid, together hold out tha threat of a balance of payments crisis unless exports improve.

"We know there is a dilemma . . . we are carrying out an exercise to identify selective export 'thrust' areas. Fiscal and industrial policies will then be co-ordinated to help tha process," Mr Singh said in an interview with the FT.

The World Bank, which recently forecast that India may have to boost its commercial borrowing from around $1.2bn a year now to $5bn by 1990 if it is to meet its growth targets, suggests that annual export growth needs to double in volume terms from tha present 4 per cent.

The advocates of liberalisation argue forcefully that the only way such targets can be achieved is if Indian industry is exposed to greater domestic and foreign competition.

For them the key measures in the Budget were the raising of the company asset threshold under the Monopolies and Restrictive Trade Practices legislation, which will allow companies to expand to an economic size; delicensing of 25 industrial sectors to foster competition; and further import liberalisation.

"We must bring improved productivity into the framework of industrialisation. . . . at the same time the public sector cannot be treated as a spoilt child," is the comment of Dr Abid Hussein, a member of the Planning Commission and one of the architects of the liberalisation programme.

The finance minister promises further reforms: the three-year trade policy announced in the Budget, designed to provide a stable barkground for business planning, will be complemented by a long-term fiscal policy in the autumn.

He made it clear, howevar, that there would be no wholesale dismantling of import barriers and that liberalisation would focus on imports of raw materials and intermediate goods and a few selected capital goods. The pace will depend on export performanre.

"Some protection is needed but the barriers should not be so high that there is no competition at all," he said.

There are other constraints. The negotiations on the details of the 7th plan have revealed a substantial "resource gap" which must be bridged if the 5-year investment target of Rs 1,800bn (£120bn) for the public sector is to be met.

Dr Manmohan Singh, the deputy chairman of the Planning Commission (Mr Gandhi is chairman) insists that these resources must be generated within the public sector since there is only limited scope for increased private saving or higher tax receipts.

India's domestic savings ratio has risen to a remarkable 23 per cent—comparable to that of Japan—and the forecasters are suggesting a further increase to 26 per cent. The impact on growth, however, has been partly offset by a deterioration of the capital-output ratio.

Dr Singh acknowledges that there are some risks with the Government's strategy—on the domestic front because of the inflationary potential of higher budget deficits and externally because of the trade deficit.

"I am not pessimistic about raising the resources but it does involve risks. Then all plan-making involves some calculated risks," he commented.

### Hardening

Even if exports perform well, India's debt service ratio—the proportion of debt repayments to exports—is likely to rise significantly by the end of the decade to around 20 per cent from the present 14 per cent because of a hardening in the terms of borrowing.

Over the short-term, however, the risks are tempered by a fairly comfortable short-term foreign exrhanga position. The sharp rise in remittances from Indians living abroad has more than offset a widening trade gap (close to Rs60bn or £4bn in 1983-84) and foreign exrbange reserves have risen to Rs70bn (£4.6bn).

With growth in the Middle East slowing, however, India cannot rely on remittances continuing to climb, while Mrs Gandhi's assassination and the continuing communal troubles have so far thwarted hopes of a major increase in tourist income.

Much will also depend on further growth in agriculture. The huge rise in foodgrains production since 1979 has been one of the remarkable achievements of the Indian economy.

Though little changed from the previous year, output of more than 150m tonnes of foodgrains in 1984-85 was 15 per ceot higher than four years earlier and has allowed India to actually export about 1m tonnes.

The healthy stocks position means inflation should not be so sensitive to the vagaries of the monsooo. And despite some rritirism of the price rises which followed this year's Budget the finance minister says he is confident wholesale price rises will remain in single figures.

The plan for the next five years is to maintain annual growth of betweeo 3.5 and 4 per cent, with particular emphasis on crops which could significantly cut the country's import bill — edible oils imports for example, are currently costing the country about Rs800m a year.

For industry the plan is for an annual increase in output of 7 per ceot, a target whirb many indepeodent observers regard as over-optimistir.

Oil production, which provided a major boost to growth during the Sixth Plan (rising from 10.5m toones in 1980-81 to around 30m tonnes in 1984-85) is expected to increase only slowly.

What the Planning Commission calls a cooservative forecast, based on no major new fiods, suggests output of 37m to 38m tonnes by the eod of the Seventh Plan. On that basis the rountry's self-sufficiency would fall from 70 per ceni to 60 per cent.

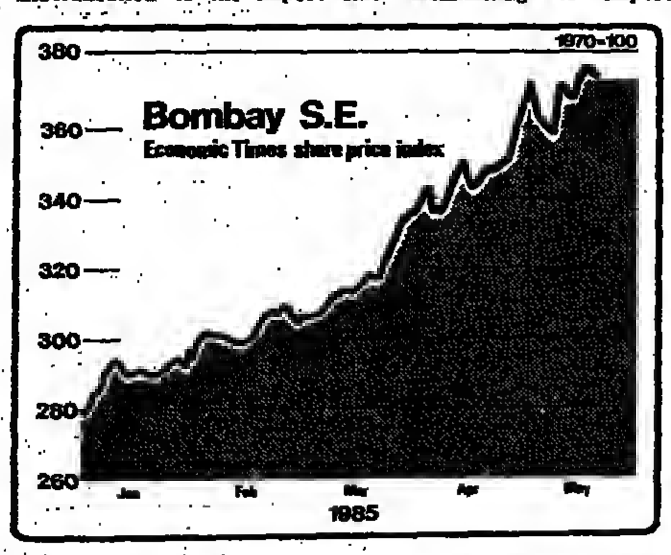
### Efficiency

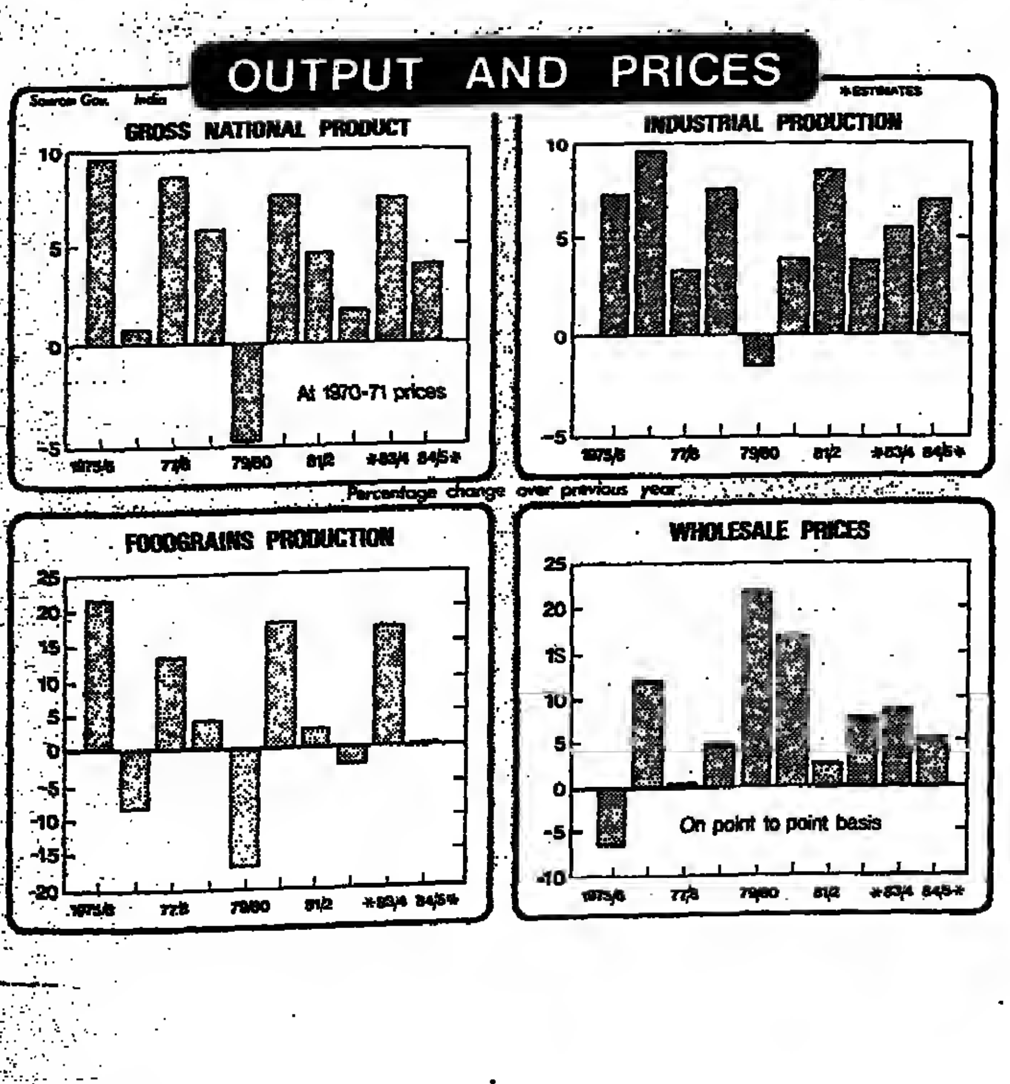
There are also doubts over how quirkly the drive for efficiency in the public sector, and freer competition in the private, can be translated into higher output.

A shortfall in electririty geoeration will art as a significaot break on industrial expansion.

The Government may also fare political constraints if the liberalisation poliry does not yield quirk results. Some of the older guard of the Congress I party bave already signalled their resentment at wbat they see as a policy favouriog the private sertor and the rirh.

The finance minister was at pains to stress the cootinuity as well as innovation in the current strategy, particularly in relation to the Government's anti-poverty programmes. The eradication of poverty, be insisted, must remain the central economir issue.




PROFILE: VISHWANATH PRATAP SINGH, Finance Minister

## Policies based on reality

THE MAN chosen by Mr Rajiv Gandhi to be his Finance Minister and to spearhead his attempts to shake up the Indian economy is reputedly "the cleanest politician" in the ruling Congress I party.

He is Mr Vishwanath Pratap Singh, a 51-year-old politirian from Allahabad, the Gandhi's home seat in the northern state of Uttar Pradesh. There be is a scion of the princely and wealthy Manda family and a member of the high Rajput caste (who, like the Sikhs, use Singh in their names).

He brings to his job a hard-working modesty and a deep awareness of the need to try to balance the vast and widening disparities of wealth that exist in India.

He was appointed Chief Mioister of Uttar Pradesh in 1980, bnt two years later became the first-ever Chief Minister to resign volnntarily when be failed to fulfil a promise that he would clean np the state's dacoits (armed bandits) within a promised period.

Early in 1982 the late Mrs Indira Gandhi appointed him Minister of Commerce. He only stayed in that job 18 months bnt made a reputation that has catapulted him into the joint posts of Finance and Commerce Minister.

He cleaned np the Commerce Ministry, banishing often-corrupt company agents and industrialists from anywhere near his office. He improved the organisation, introducing computerisation. He was sorely missed by his aides when Mrs Gandhi sent him back to Uttar Pradesh after 18 months to bead the Congress I party machine and prepare for what turned out to be Mr Gandhi's great general election victory.

Asked whether such switches of job are not rather strange he comments: "Our basic profession is politics and it is all politics, here or there. It was a wonderful experience to work as a party chief at the grass roots."

"Our policy comes not from text books bnt from three points of hard reality — rupee resource constraints, foreign exrhange constraints and poverty," he says.

"Poverty has led to a perception of an egalitarian society. Politically, it wonld not be stable to have too many and too wide gaps in income distribution. We do have such gaps and different economic layers, and that has to be managed politically.

"To raise 93 per cent of our expenditure internally—to raise it by taxes from the peopie — and still have a ballot box in India — needs a lot of political skill and is no small achievement."

John Elliott

# Budget measures fuel the boom

## Stock market euphoria

PHILIP STEPHENS reporting from Bombay

"IT'S LIKE having a British Telecom issue every week." Well, not quite, but the analogy, drawn by one of Bombay's enthusiastic young stockbrokers, underlines graphically the euphoric mood of India's stock-markets since the beginning of this year.

There has been a surge in the number of capital issues, heavy over-subscription of many equity offerings, and an around 30 per cent rise in the country's main market in Bombay.

Part of the explanation is found in the anticipation of and subsequent reaction to Rajiv Gandhi's first Budget.

The corporate and personal tax concessions, industrial liberalisation measures, and the emphasis on modernisation have been widely interpreted as fore-shadowing a more vibrant and profitable private sector.

The Government's apparent commitment to a flourishing equity market was further demonstrated by a number of measures aimed at making it easier for companies to raise capital.

### Better return

Cumulative convertible preference shares have been allowed for the first time, the interest rate ceiling on convertible debentures issued by small companies has been raised, and provision made for the free transfer of shares in public companies.

"The Government is encouraging the private corporate sector to expand and diversify . . . and people are seeing that the stock market offers a better return than the banks," comments M. R. Mayya, the executive director of the Bombay stock exchange.

The boom, though probably exaggerated by a fair amount of speculative "froth" is not simply a reflection of the private sector's honeymoon with Mr Gandhi.

The last decade has been marked by a significant widening of interest among Indian investors in equities, kindled initially by the 1973 Foreign Exchange Regulation Act which forced foreign companies to dilute their stakes in Indian companies.

The process has accelerated since 1980, with the encouragement of both the Reserve Bank and the Government. In 1982, for example, the authorities raised the interest rate ceiling on non-convertible debentures to 15 per cent and introduced a repurchase facility for small holders.

The result has been that these debentures now account for about two-thirds of the total capital raised on the equity markets each year.

Four new stock exchanges have been set up in as many years bringing the total in the country to 13.

The growth in the market even before the Budget is shown in the rise in authorisations for capital issues in the year ended March 1985. Preliminary figures indicate that the controller of capital issues gave the go-ahead for over 700 companies to raise around Rs 20bn (£1.3bn), double the amount in 1983-84.

The state-sponsored Unit Trust of India has done much to spread the share ethos among middle-income investors. It now boasts 1.7m unit-holders and its canny chairman, M. J. Pherwani, has even appointed fertiliser salesmen as agents for the units in rural areas.

The markets' buoyancy and a number of tax concessions have also stirred the interest of non-resident Indians, who have been significant investors in recent issues.

Their holdings are restricted, however, by the provision that only 5 per cent of any new issue can be taken up by non-residents and by the 1 per cent ceiling for individual holdings in any one company.

It is those rules and the well-publicised battles of businessman Swraj Paul which have focused the attention of non-residents on the stakes in Indian companies held by foreign investors. A number of takeovers have resulted.

Cynics in the market point out that these overseas holdings also provide a useful channel for black money, and for the laundering of undeclared cash.

Whether the loophole will remain is likely to depend on the outcome of the Indian Company's Law Board's current deliberations on Mr M. R. Chhabria's attempt to buy a 38.7 per cent stake in Shaw Wallace from Sime Darby of Kuala Lumpur.

There are other vehicles for non-resident Indian investment in the form of joint ventures set up by British and Indian merchant banks and brokers.

### Conservative

Hill Samuel has linked up with Champaklal Investment (CIFCO) which offers a range of broking and advisory services. Industrialist Ashok Birla has established two Jersey-based mutual funds in co-operation with S. G. Warburg to channel non-resident funds into both the Indian and international equity markets.

The perception that the current boom marks India's entry into the modern financial world should be hedged, however, with an appreciation of both the highly-regulated and the relatively insophisticated nature of the market.

The over-subscription of many recent issues—5 or 10 times is not uncommon and the record is 159 times—is as much a function of the conservative pricing insisted upon by the controller of capital issues as the market's enthusiasm for new companies.

Hence the British Telecom analogy: most issues are under-priced from the outset and anyone who secures an allocation is guaranteed a profit.

The exchange authorities often appear bemused by the pace of activity. The Bombay exchange, for example, was unnerved by the speed of the market's rise after the Budget and felt obliged to suspend trading in a number of key shares.

The Delhi and Calcutta exchanges announced massive increases in margins to temper what they regarded as unhealthy speculation.

There are other oddities from a Western point of view. New companies, without any track record, are allowed to issue shares for projects which have not yet started, in effect raising venture capital directly from the public.

There is little co-ordination between the various exchanges, which operate with different settlement dates, accounting, and legal procedures. One company may be quoted on two or three exchanges and the lack of cohesion provides an endless stream of arbitrage opportunities. One broker said that he had effectively given up acting for clients to concentrate on arbitrage.

### Electronic system

Mr Mayya says that the main exchanges are planning to instal an electronic system to allow the simultaneous display of prices, but acknowledges that further co-ordination will be a long haul.

There are doubts about the depth of the market, which are dominated by the big state-owned investment institutions. These hold perhaps 30 per cent of all shares and tend not to trade actively.

The development of a secondary market is hampered further by tax provisions which deter individual investors from selling shares they have held for less than three years.

Broker Madhur Murarka, one of the few sceptics in Bombay these day, argues that the recent increase in turnover is misleading because much of the trading is done by a handful of speculators with only perhaps 10 per cent of transactions resulting in share transfers.

Mr Mayya, however, argues that the concept of portfolio management is gradually gaining ground, encouraged by the sustained marketing of brokers and merchant banks.

At the same time the growth of non-convertible debentures could weaken the grip of the state institutions.

Finally there is an underlying confidence that if Mr Gandhi is serious about modernising India's industry he will have to encourage a parallel development of its capital markets.

**India's stock exchanges**

(as at December 31 1984)

| Exchange | No of companies listed | No. of stock issues listed: Equity | Deb/Pref | Bonds | Total |
|---|---|---|---|---|---|
| Bombay | 1,295 | 1,445 | 332 | 377 | 2,154 |
| Calcutta | 1,862 | 1,890 | 303 | 121 | 2,314 |
| Delhi | 952 | 1,015 | 161 | 155 | 1,331 |
| Madras | 441 | 478 | 162 | 80 | 720 |
| Ahmedabad | 265 | 280 | 109 | 133 | 522 |
| Hyderabad | 120 | 124 | 41 | 29 | 194 |
| Bangalore | 203 | 221 | 68 | 32 | 321 |
| Madhya Pradesh | 43 | 43 | 11 | 8 | 62 |
| Cochin | 49 | 49 | ... | ... | 49 |
| Pune | 65 | 65 | n.a. | 4 | 69 |
| Uttar Pradesh | 436 | 435 | ... | 24 | 459 |
| Ludhiana | 20 | 20 | ... | 5 | 25 |
| Gauhati | n.a. | n.a. | n.a. | n.a. | n.a. |
| All exchanges† | 3,883 | 4,094 | 850 | 541 | 5,485 |

† Excludes double-counting of shares quoted on more than one exchange. n.a. Not available.

Source: The daily official lists of the stock exchanges.

The brisk trading floor of the Bombay stock exchange

# Prudent approach will be maintained

**PRUDENCE and caution are words that Indian ministers and officials cannot repeat too often in outlining India's approach to commercial borrowing.**

Skilful, persistent and sometimes devious are the terms commercial bankers most frequently use to describe India's negotiating tactics.

## Commercial borrowing

PHILIP STEPHENS

No matter how determined India is not to go the way of many other developed countries in piling up debt with foreign banks, it will have to place greater reliance on commercial borrowing over the next few years.

Even if it holds those borrowings to the minimum needed to finance its development projects its debt service ratio is likely to rise significantly by the end of the decade.

The problem is that an inevitable slowdown in concessional aid, especially from the World Bank, will coincide with the start of repayments on India's SDR 3.9bn loan from the International Monetary Fund.

At the same time a number of key development projects envisaged in the Seventh Plan will require substantial foreign exchange requirements.

The dilemma is highlighted by some recent projections from the World Bank. These suggest that India can expect some $8bn in concessional aid in the five years from 1985/86 (April-March), to 1989/90.

In nominal terms that is about the same amount as in the previous five years, but adjusted for inflation it represents a substantial fall.

The slowdown in aid will coincide with a sharp increase in the amount of foreign exchange that India will need to generate to meet its plan targets. The World Bank projection suggests that India will need to generate $87.2bn in the five years to 1984/85 to $143.6bn during the Seventh Plan.

In parallel, the "bunching" of existing commercial debt and IMF repayments is likely to push up debt servicing as a proportion of current overseas receipts from the present level of just under 14 per cent to more then 20 per cent by 1990.

It is a dilemma of which Mr V. P. Singh, the Finance Minister, is fully aware. He insists that there will be no major shift in the Government's policy towards commercial borrowing.

"India has been very prudent on the debt issue . . . we intend to follow that line," he said in an interview with the Financial Times. "We will have to rely on boosting our exports and foreign exchange earnings."

Mr Singh also acknowledged that the industrial liberalisation policies designed to boost exports may initially result in higher imports.

The Government would have to draw a line between damaging development prospects by holding down vital imports and risking a debt crisis by letting commercial borrowing rise too quickly.

The emphasis though would remain on caution, while over the short-term, the Government could rely on the cushion provided by a substantial increase in foreign exchange reserves.

These currently stand at about Rs 70bn (£4,650m), up Rs 10bn (£660m) on a year earlier.

If India's commercial debt is going to rise it is equally clear that it will be very carefully "managed" upwards.

Most commercial borrowing is linked directly to projects which the Finance Ministry expects to generate foreign exchange resources either through exports or import-substitution.

The Ministry also maintains a tight grip on negotiations with lenders, firstly to keep the overall level of borrowing from rising too quickly and secondly to ensure that all deals are on the best possible terms.

"We do a full analysis every month of the debt position over several years," comments one senior official.

Commercial bankers acknowledge that the Indians are superb negotiators, wringing concessions up until the last moment before a deal is signed and capitalising on the competition between banks.

### Debt crisis

There is no shortage of European, U.S. and Japanese banks eager to lend money. The explanation is that the bankers admire the Government's prudence and that few have much exposure to India.

The fine terms that India can command relative to other developing countries were shown in a series of loans last year.

Despite doubts among bankers about the long-term viability of its project, the National Aluminium Company raised $300m through a syndicated credit at a margin of ½ per cent Libor for $200m and ½ per cent over Libor for the remainder.

The terms of a $150m floating rate note for the State-owned Oil and Natural Gas Commission (ONGC) caused dismay in some banks, which insisted that it was impossible to make any profit on the deal.

India's negotiating skills have also been in evidence in preliminary contacts with banks on the $480m to $500m financing needed for Air India's planned purchase of six Airbuses.

According to bankers close to the negotiations the Government has been skilfully playing one bank off against another to get better terms, even before issuing its formal request for bids.

The state-owned investment institution, the Industrial Credit and Investment Corporation of India (ICICI), which regularly borrows abroad for on-lending within India has succeeded in maintaining fine terms by diversifying both between currencies and types of loan.

### Loan maturity

India has not been successful, however, in persuading bankers to stretch the maturity of loans to 10 years from the traditional six to eight years to help in avoiding a further bunching of repayments in the early 1990s.

Projections for foreign borrowing during the Seventh plan have yet to be finalised, and officials stress that the actual amounts will depend crucially on the performance of exports.

Mr S. Venkataramanan, the Finance Secretary, says that authorisations will also depend on the ability of individual projects "to enhance the total earning capacity of the economy."

He adds: "The traumatic experience of Latin America has made us very cautious . . . . we are very concerned about maintaining our sovereignty."

Officials privately concede that the Plan implies higher borrowings than in the past few years, perhaps around $1.5bn a year until 1989-90. They completely reject, however, the recent suggestion by the World Bank that the targets for industrial development imply commercial borrowings as high as $5bn a year during the lifetime of the Plan.

As well as the Air India loan, the domestic airline, Indian Airlines, will need several hundred million dollars over the next few years, as will the Oil and Natural Gas Commission (ONGC) and the National Thermal Power Corporation.

ICICI and two other investment institutions, the Industrial Development Bank of India and the Industrial Finance Corporation of India are expected to raise loans over coming months.

# Employment growth the priority aim

**BECAUSE of difficulties in bridging a "resources gap" of around Rs 300bn, the details of the seventh Five-Year Plan for the period 1985-90 will not be known until late July when its draft is due to be published. But the *government has promised that it will not be heavily* pruned and that the overall outlay will remain at Rs 3,200bn.**

This is by far the heaviest investment ever envisaged for any five-year plan period and makes the Seventh effort the most ambitious ever. This is for both government investment (planned for Rs 1,800bn) and the private sector which has been given a major role for the first time and will be asked to share nearly 40 per cent of total investment.

## The next Five-Year Plan

K. K. SHARMA New Delhi

According to the document, "approach to the Seventh Plan," the strategy aims at a growth rate of a little over 5 per cent annually. It will thus try to maintain the rate achieved in the Sixth Plan period which succeeded in breaking the traditional trend rate of 3.5 per cent.

This growth rate should contain inflationary pressures and lead to import substitution in sectors like crude oil, grain and edible oils, besides generating employment and income for the poor, especially in the less developed regions.

The plan is based on the assumption of 26 per cent national savings ratio. The required funds will be mobilised in a manner which minimises dependence on external sources or on deficit financing.

The strategy outlined is expected to result in a lower capital-output ratio, and the allocation of resources will be made in a way to serve the basic objectives of the plan—production of food, creation of employment and improvement of productivity.

### Development

In agriculture, the stress is to be on increasing cropping intensity and extension of new technologies to low-producing regions so that rural development programmes effectively create productive assets.

The "Approach" paper also seeks to emphasise industrial growth, though the accent is on better use of existing capacity and its expansion at minimum cost. Stress is being laid also on modernisation and upgrading of technology.

Industrial development is also sought to be promoted by encouraging competition among corporations with the objective of increasing productivity, quality and growth, and reducing costs. As many restrictions as possible will be removed.

The industrial development strategy envisages output increasing at about 7 per cent annually.

This is expected to provide increased employment opportunities and facilitate production of a wide range of goods and services for mass consumption. It would also lessen the pressure of unemployed labour on farm land and help generate additional incomes in the rural sector.

Electricity generation is expected to grow from about 165bn kwh at the end of the sixth plan to 270bn kwh in 1990.

Substantial increases are proposed in production of basic goods which contribute to the strength and performance of the economy, such as steel which is targetted to reach a production of 13m tonnes and cement which is expected to be about 50m tonnes by 1990.

Originating railway freight is expected to be about 375m tonnes by 1990 compared to 275m tonnes at the end of the Sixth plan.

Crude oil production is expected to rise to at least 35m tonnes. A substantial step-up is also envisaged in fertiliser production.

Basically, the plan aims at reducing the population below the poverty line in the country to 23 per cent, a 14 per cent advance on the expected Sixth Plan achievement of reducing to 37 per cent the number of people below the poverty line (compared to 51 per cent at the start).

The projection is part of the long-term perspective to reduce the sweep of poverty to around 10 per cent of the population by 1995.

This is considered feasible, given the thrusts contained in the plan's approach document for farm growth and rural development combined with increased employment and building up of capital and productive assets on land.

The total population is expected to continue to grow at around 1.88 per cent, reaching by 1990 a level of 803m from the existing 734m.

The plan will attempt not only to create employment opportunities to absorb this net addition to the workforce, but also try to reduce the backlog that will spill over from the Sixth Plan.

# Western institutions queue to enter

## Foreign Banks

PHILIP STEPHENS

CHASE MANHATTAN is first in the queue; several others are lining up behind.

India's long-standing refusal to see any major expansion of the network of foreign banks has not dampened the enthusiasm of many U.S., European and Japanese banks in seeking branches in Bombay and Delhi.

Mr Rajiv Gandhi's promise to modernise Indian Industry and the expectation of higher foreign borrowings have heightened the perception of the potential rewards.

The slow pace of Indie's borrowings over the past few years has meant that its credit rating remains excellent and that many western banks bave considerable scope to increase their Indian assets.

The odd exception—Société Générale is the latest—to the general rule against allowing any more branches has kept hopes alive.

Chase has been waiting nearly a year and has adopted a high profile in international loan syndications for Indie to press bome the point that it has something to offer.

India's official stance is that it considers applications on the basis of reciprocity — it will grant permission only when Indian banks are given a similar opportunity in the country of origin of the foreign bank.

But the policy has become outdated because the rapid expansion of the Indian banks abroad is largely over. There are more U.S. banks in India than vice-versa, but only because the Indian banks have not sought to expand further in the U.S.

The decision last year to allow Société Générale to upgrade its representative office into a full branch did not square with the reciprocity formula and has strengthened the view among foreign bankers that the Government is operating a case-by-case approach.

The overall policy will remain restrictive but exceptions will be made for banks which can demonstrate that they can make a positive contribution to Indian development.

The obvious lure for the benks is the prospect of an increased share in the rising commercial borrowing and traditional corporate and trade finance business. But there is also the potential offered by the recent boom in India's capital markets.

Both Grindlays, with 56 branches the largest foreign bank in India, and its smaller though still substantial rival Standard Chartered, have established thriving merchant banking divisions.

Bank of America, whicb has achieved a high profile in the country despite having only four branches, is also strengthening its capital markets division, though like all U.S. banks it suffers from the bandicap of not being able to underwrite local capital issues.

The view among foreign bankers is that the Government'a industrial liberalisation policies will generate demand for an increasingly sophisticated array of financial services.

Michael Richardson, the chief executive of Standard Chartered's merchant banking division, says that the 1973 foreign exchange act which forced foreign companies to sell-off the majority holdings in their Indian subsidiaries has provided a sizeable proportion of its business.

But the stock exchange boom has prompted demand for e mnch wider range of services. These include managing domestic equity and debenture issues, underwriting, advice on mergers and acquisitions, and overseas finance.

That view is shared by P. N. Vijay, the manager of Grindlays merchant bank division, who says that it now bas a much broader range of ectivities than five years ago.

Perhaps a third of the division's direct income in Indie comes from capital issues, another 15 per cent from rupee financing and 20 per cent from lease-broking.

### Foreign banks in India

| | No. of branches |
|---|---|
| Grindlays Bank | 56 |
| Hongkong and Shanghai Banking Corporation | 20 |
| Standard Chartered Bank | 24 |
| Citibank | 6 |
| Bank of America N.T. and S.A. | 4 |
| American Express I.B.C. | 3 |
| Banque Nationale De Paris | 5 |
| British Bank of the Middle East | 1 |
| Bank of Tokyo | 3 |
| Algemene Bank Netherland | 2 |
| Mitsui Bank | 1 |
| Sonali Bank | 1 |
| Banque Indo-Suez | 1 |
| European Asian Bank | 1 |
| Bank of Oman | 1 |
| Emirates Commercial Bank | 1 |
| B.C.C.I. (Overseas) | 1 |
| Bank of Nova Scotia | 1 |
| Societe Generale | 1 |
| Branches total | 134 |

Source: Press Trust of India

# Banks reach the heartland

## Financial institutions

PHILIP STEPHENS

A BRANCH for every 15,000 people puts India in the ranks of many developed countries in the general availability of banking services.

The spread of the Indian banks to the rural heartland of the country since nationalisation in 1969, breaking the grip on agriculture of the village moneylender, is justly claimed as a remarkable achievement.

The number of branches bas risen six-fold to around 47,000, while the banks' deposit base has climbed from Rs50bn (£3.3bn) to more than Rs700bn (£46.7bn).

The system of concessional loans to farmers is acknowledged even by the critics of nationalisation as having played e key role in the green revolution which has made India self-sufficient in grain.

But if the social aims have been achieved the legacy is a banking system that to the Western eye is unprofitable, offers poor services, is inefficient and often corrupt.

The latest estimates available suggest that the 21 state-sector banks which account for 92 per cent of all deposits made profits of only Rs700m (£46.7m) in 1983. The foreign banks in India, which have e minute 4 per cent share of deposits, made Rs170m (£11.3m).

The consensus within the Indian banks has been that since they act as a catalyst for wealth creation in the rest of the economy their own profitability was of subsidiary importance.

The emphasis on the social rather then the market role was underlined in a recent speech by the managing director of the State Bank of India, the country's largest bank.

Addressing shareholders (8 per cent of the equity is still in private hands) on the SBI'a performance in 1984, Mr Shri A. S. Puri devoted 16 pages to its success in meeting Government targets for lending to different priority sectors. Not once did he mention profits.

There are signs though that just as the Government is now insisting that other public sector industries must generate profits banks are also coming under scrutiny.

That is not to say that there will be a fundamental shift in approach. The Government has made it clear that it expects the nationalised banks to continue chanelling 40 per cent of all lending to the so-called priority and small-scale enterprises—at favourable interest rates.

The extent of official regulation in this respect was emphasised in a recent publication of the Reserve Bank of India. It listed no less than 67 different sectors and sub-divisions raoging from seed distribution to pre-shipment export credits which qualify for loans at below market rates.

Dr Manmohan Singh, a former chairman of the Reserve Bank and now deputy-chairman of the Planning Commission, has also made it clear that the branch expansion policy will continue, albeit at a slower pace than in the 1970s.

The aim is to draw more casb into the banking system to fund development, with e target for the national savings ratio in the Seventh Plan of 26 per cent compared to the current 22 or 23 per cent.

All banks, including the foreign and the handful of private Indian banks, at present have to invest 36 per cent of their total depoits in approved public securities and that figure will shortly rise to 37 per cent.

A further nine per cent of deposits are absorbed by the cash liqudity requirement of the Reserve Bank.

The net result is that the state-owned banks are free to lend only around 15 per cent of their resources at what might be termed market rates, though even here there is e ceiling of 17.5 per cent.

The basic thrust of policy, therefore is unlikely to change. But both the Reserve Bank and the Finance Ministry have signalled that within that overall strategy they want a drive towards modernisation, greater efficiency and increased profits.

### Philosophy

This is e philosopby which Mr J. S. Varshneya, the new chairman of the Pubjab National Bank, terms "profitability within the constraints of the nation'a economic and social needs."

In an increasingly competitive environment, the banks would bave to rely on greater efficiency and improved service to a far greater degree than in the past, said Mr Singh in a major policy review of the Banks' role in the Seventh Plan.

In a short-lived move which was introduced in April this year, the Reserve Bank liberalised the regulalory framework governing short-term deposits, raising the maximum interest rates payable on deposits of up to one year to 8 per cent from between 3 and 4 per cent.

The immediate reaction of the nationalised banks was horror—they feared that such a rise would wipe out whatever small profits they make, and under the aegis of the Indlan Banks' Association they attempted to peg rates at 4 per cent.

But the small private and the foreign banks broke ranks forcing all to go to the maximum 8 per cent.

However, the experiment was abandoned by the Reserve Bank after only a few weeks operation on May 25. The banks argued that there would be an outflow of not less than Rs 2bn in interest payments and this would bit profitability.

The authorities are also encouraging a drive towards computerisation and after years of wrangling e deal has now been concluded between managements and unions.

The SBI, which with its associates accounts for around 35 per cent of all deposits, plans to spend Rs1.5bn (£100m) on a three-year computerisation programme.

Another focus is the poor accounting end management procedure in many banks, which bave led to allegations of widespread irresponsibility and corruption in loan operations.

Tackling that problem and the bureaucratic inertia which has crept into most public sector banks will be no easy task.

### Bank branch expansion

Public sector and other commercial banks

| Banks | Number of offices on 30.6.69 | 30.6.83 | 30.6.84 | Increase between 30.6.69 and 30.6.84 | Increase in the number of offices in rural centres† |
|---|---|---|---|---|---|
| State Bank of Indie | 1,569 | 6,396 | 6,636 | 5,067 | 2,987 |
| Snbsidiaries of SBI... | 893 | 2,965 | 3,117 | 2,224 | 1,089 |
| 14 nationalised banks | 4,134 | 18,567 | 19,387 | 15,253 | 8,687 |
| Regional rural banks | ... | 6,473 | 8,360 | 8,360 | 7,853 |
| Total of public sector banks...... | 6,596 | 34,401 | 37,500 | 30,904 | 20,616 |
| Six banks nationalised on April 15 1980... | 419 | 3,187 | 3,205 | 2,786 | 1,360 |
| Total .................. | 7,015 | 37,588 | 40,705 | 33,690 | 21,976 |
| Other Ind. scbeduled commercial banks . | 900 | 4,323 | 4,456 | 3,556 | 1,602 |
| Foreign banks ......... | 130 | 133 | 134 | 4 | −1 |
| Total of all commercial banks ... | 8,262 | 42,079 | 45,332 | 37,070 | 23,540 |

† Rural centres—places with a population up to 10,000.

Source: Economic Survey 1984-85, Government of India.

# State-owned institutions a major force

MOST TERM lending to Indian industry is channelled through e series of state-owned or controlled financial institutions.

These provide straightforward long-term finance, underwrite share or debenture issues, arrange project finance and for major investments usually insist on equity participation. They also refinance loans made by the banks.

They bave emerged as the major force on the country's stock markets, controlling perheps 30 per cent of all share capital. The institutions also act as the channel for most foreign borrowing for the private sector, raising credits under their own name for on-lending to different ventures.

The main country-wide institutions are as follows:

● Industrial Development Bank of India (IDBI)—the umbrelle national development bank, wholly-owned by the Government of Indie and with an authorised capital of Rs 4bn (£260m). Principal sources of funds are borrowings from the Government, Reserve Bank and abroad and bond issues on domestic markets. Appraises and supervises industrial projects acts as a lender of last resort and, in particular, provides finance for large and capital-intensive projects.

● Industrial Finance Corporation of India (IFCI): established soon after independence to provide medium and long-term finance to industry.

Anthorised capital of Rs 500m (£33m). Paid up capital held by IDBI, banks and other financial institutions. Provides financial assistance in the form of rupee loans, foreign currency loans, underwriting of and direct subscription to share and debenture issues.

● Industrial Credit and Investment Corporation of India (ICICI): set np in 1955 with the encouragement of the World Bank to channel overseas grants and loans into industrial development. Authorised capital of Rs 500m (£33m).

Major shareholders are other Indian financial institutions although 13 per cent of the paid-up capital is still held overseas. Frequently raises foreign exchange resources on international markets and has extended its operations to rupee loans, merchant banking and leasing.

● Life Insurance Corporation of India (LIC): set up to take over life insurance business from 244 private companies which were nationalised in 1956. Initial capital of Rs 50m (£3.3m) provided by Government. Funds at end-March 1983 totalled Rs 91bn (£6.1bn). Minimum of 75 per cent of resources investment in central and state government securities, 10 per cent allocated for private sector shares and debentures.

LIC provides assistance to industry through direct subscription to and underwriting of capital issues and direct loan assistance.

● General Insurance Corporation of India (GIC). established to take over the role of private general insurance companies which were nationalised in 1973. Capital and funds stood et Rs 2bn (£133m) in December 1982. 70 per cent of investments are reserved for specified investments in the public sector.

● Unit Trust of India (UTI):—established in 1964 to mobilise small savings for productive investment, an associate institution of IDBI. Total investments of Rs 8.7bn (£580m) at end-June 1983.

● Export-Import Bank of India (Eximbank) — established in 1982 to strengthen institutional backing for non-traditional exports. Authorised capital Rs 2bn (£113m); operates various lending programmes to promote exports of engineering and capital goods and related services.

PHILIP STEPHENS

## BUSINESS MANAGEMENT STYLES: A FAMILY OF ENTREPRENEURS

### The R. P. Goenke Empire: Duncan Enterprises

| | *Gross turnover Rs m | Profit (loss) pre-tax Rs m | Gross fixed assets Rs m |
|---|---|---|---|
| CEAT Tyres | 2,586.2 | 69.3 | 412.0 |
| Dunlop India | 3,202.7 | 84.5 | 992.5 |
| Bayer India | 748.0 | 54.5 | 246.9 |
| Searle India | 249.3 | 64.2 | 82.0 |
| Kamani Engineering | 780.9 | 26.9 | 185.7 |
| Asian Cables | 233.6 | 4.3 | 133.9 |
| Wiltech India | 35.0 | (6.5) | 149.7 |
| Philips Carbon | 344.0 | 36.8 | 56.8 |
| Murphy India | 151.2 | (8.8) | 40.9 |

* All results are for 12 months 1983-84 or 1984 calendar year except: CEAT Tyres, 15 months to June 30 1984; Dunlop and Bayer, 1983 calendar year; Philips Carbon, year to November 30 1983; Murphy India, 18 months to June 30 1984.

Mr R. P. Goenke (left) and his sons, Harsh Goenke, 27, and Sanjiv, 24. Mr R. P. Goenke was last month elected vice president of the Federation of Indian Chambers of Commerce and Industry.

PROFILE: THE GOENKE EMPIRE

# Aggressively expanding tycoons

HARSH GOENKE, age 27, is managing director of CEAT Tyres of India. Sanjiv, his 24-year-old brother, is deputy managing director of Dunlop India. Both are young by any standards to be at the top of company management.

They are part of India's hereditary management system and are the sons of Mr R. P. Goenke, 54, who is one of the country's most aggressively expanding tycoons.

"I bought Dunlop to give Sanjiv, who is based in Calcutta, a spring-board to start in business. His brother Harsh has companies based in Bombay, including CEAT Tyres. Now I want both of them to grow from that and work independently of me," says Mr R. P. Goenke.

Sanjiv ran a small loss-making fibreglass unit when he was 21, and last December took on his post at Dunlop where he works alongside Mr John Hamond, 58, a Dunlop executive from the UK who is managing director.

Harsh started his managerial career in charge of a small loss-making cotton mill when he was also 21 and became managing director of CEAT Tyres at the age of 25. He and top executives know that his father expects him to emerge as head of the family businesses.

Both sons say that they feel they bring their family's entrepreneurial flair to work alongside professional hired managers.

The companies in the R. P. Goenke fold are grouped together in Duncans Enterprises which owns nothing but acts as an informal umbrella. Quite often the Goenke's stake is small — for example it is only 9 per cent in Bayer and 4.9 per cent (plus another 4.9 per cent held by an associate) in Dunlop.

After five years of extremely rapid growth the current total turnover is Rs8bn (£533m), up from only Rs700m in 1979. The target for the next five years to 1990 is roughly to double the present figure to Rs1.5bn.

### Takeover

This is one of three branches of the large Goenke family which have been run separately since 1979. The others are controlled by Mr R. P. Goenke's younger brothers, JP and GP, and are in textiles, chemicals, jute, tea, tobacco, synthetic fibres and petrochemicals.

Together, they have a total turnover of about Rs14bn which makes them the third biggest business family after the Tatas (Rs30bn turnover) and the Birlas (Rs28bn).

Mr R. P. Goenke was a close contact of the late Mrs Indira Gandhi, former prime minister, and his expansion came in a series of controversial market raids and takeover bids which received the backing and approval of the Government.

He started his working life in the former Duncans managing agency and began his expansion trail in 1981. Since then, he has gone into the rubber business with CEAT and Dunlop which each have 16 to 17 per cent of the Indian tyre market, pharmaceuticals with Searle, rubber and other chemicals with Bayer, consumer electricals with Murphy and transmission towers with Kamani Engineering. His only major defeat was when he failed to win Premier Motors, one of India's two major car producers, two years ago.

Now electronics, rubber and possible synthetic fibre are to be the main growth areas. Mr Goenke says is turning away from takeovers and is concentrating on new collaborations with foreign multi-nationals for the next phase of growth. Pepsico, ITT, Olivetti, Dnpont and Nippon Zeon are among the international link-ups arranged for collaborations in soft drinks and fruit processing, telecommunications, computers and data systems, industrial nylon and synthetic rubber.

Mr Goenke says he believes in mixing India's traditions of hereditary family ownership and control with professional managerial expertise — most of his companies are run day-to-day by hired professionals and the two sons are put through business school courses at the Geneva International Management Institute.

"Whatever I am today is due to Harvard," says Mr R. P. Goenke, who went on the school's advanced management programme for six months in the late 1960s. "It taught me two things in life — its case studies taught me to examine each problem or proposal independently without bias and without getting emotionally involved. It also made me self-reliant. Maybe it was in me anyway. But it brought me out."

Other cynical or jealous Indian business rivals might see it differently and put the Goenke success down to two other factors rather than Harvard training. One is that the Goenkes belong to India's famous aggressive and allegedly unscrupulous trading sub-caste, the Marwaris. After the Birlas, the Goenkes are probably the most successful Marwaris.

The second factor stems from the Marwaris' skilful willingness to take part in India's traditional and deeply corrupt business and political life. Mr Harsh Goenke admits the Marwaris' bad reputation—"I would say they are very good at getting things done — when a Marwari says he will get something done, he will do it and use whatever means are available."

Mr Sanjiv Goenke tactfully dodges the question, saying all Marwaris are different. But his father firmly rebuts stories that allege he used political favours and black money to purchase his controlling interests in companies like Dunlop.

"Those stories are absolutely wrong — malicious," he says.

JOHN ELLIOTT

### India's top 25 industrial houses

| Name of industrial house | (1 crore = 10m) Assets 1983 (Rs crores) | Turnover 1983 (Rs crores) | RANK BY Assets 1983 (no) | Turnover 1983 (no) | % Rise assets 1983 over 1980 | % Rise in turnover 1983 over 1980 | Assets 1980 (no) |
|---|---|---|---|---|---|---|---|
| ACC | 571.36 | 571.31 | 6 | 11 | 6 | 2 | 3 |
| Ashok Leyland | 283.39 | 319.43 | 22 | 24 | 13 | 21 | 20 |
| Bajaj | 383.99 | 482.92 | 11 | 17 | 2 | 5 | 18 |
| Bangur | 350.39 | 498.37 | 18 | 14 | 24 | 23 | 9 |
| Birla | 2,830.94 | 2,765.04 | 1 | 2 | 8 | 18 | 2 |
| Chowgule | 285.75 | 90.71 | 21 | 25 | 19 | 22 | 17 |
| Dunlop | 240.69 | 336.05 | 23 | 23 | 11 | 20 | 24 |
| Hindustan Lever | 303.89 | 707.96 | 19 | 6 | 22 | 17 | 12 |
| ITC | 335.71 | 791.54 | 17 | 4 | 5 | 9 | 22 |
| ICI | 375.42 | 560.15 | 13 | 12 | 25 | 8 | 6 |
| J. K. Singhania | 674.15 | 651.24 | 4 | 9 | 16 | 19 | 4 |
| Kirloskar | 362.46 | 490.34 | 14 | 15 | 14 | 15 | 11 |
| Khatan | 227.92 | 345.58 | 25 | 22 | 23 | 25 | 19 |
| Larsen & Toubro | 423.71 | 392.14 | 9 | 21 | 9 | 10 | 13 |
| Mafatlal | 694.95 | 982.92 | 3 | 3 | 17 | 12 | 8 |
| Mahindra & Mahindra | 292.19 | 417.38 | 20 | 20 | 18 | 11 | 16 |
| Modi | 410.50 | 686.52 | 10 | 8 | 7 | 7 | 14 |
| Reliance Textiles (Ambani) | 562.98 | 621.51 | 7 | 10 | 1 | 4 | 21 |
| Sarabhai | 444.61 | 610.03 | 8 | 13 | 21 | 24 | 7 |
| Shri Ram | 356.93 | 700.71 | 16 | 7 | 20 | 13 | 10 |
| Tata | 2,672.40 | 3,069.33 | 2 | 1 | 12 | 14 | 1 |
| TVS (Santhanam) | 357.22 | 443.85 | 15 | 18 | 10 | 6 | 15 |
| Thapar | 572.18 | 753.08 | 5 | 5 | 15 | 16 | 5 |
| United Breweries (Maliga) | 234.28 | 431.85 | 24 | 19 | 4 | 3 | 25 |
| Walchand | 383.63 | 489.30 | 12 | 16 | 3 | 1 | 23 |
| Total | 14,651.64 | 18,109.31 | | | | | |

● This table shows how India's top hereditary industrial families still dominate the business league table, led by the Tata, Birla, Mafatlal, J. K. Singhania, Thapar and Ambani (Reliance Textiles) families.

Duncans Enterprises, run by the G. P. Goenke family (see adjacent profile) does not appear in the table which was based on returns of linked companies to the Monopolies and Restrictive Practices Commission, and the Goenkes keep their companies legally separate. But Duncans would slot in as 20th. In terms of turnover in 1983, with a total of Rs 409 crore (Rs 4,090m), which then almost doubled to Rs 805 crore in 1984.

Ambani's Reliance Textiles also grew dramatically in 1984 (see profile).

Source: The Economic Times, 1985

PROFILE: ADITYA BIRLA

# An industrial overlord

IT WAS more than 35 degrees centigrade outside and everyone else was in open-necked shirts and sandals, but businessman Aditya Birla seemed perfectly comfortable in his navy blue suit, black brogue shoes and firmly fastened tie.

Surrounded, as are all Indian tycoons, by a group of secretaries and aides, he was writing a letter to the Prime Minister offering his condolences and support after the recent wave of sectarian bombings.

Though the suit matched his image as perhaps the most sober (rivals would say dour) of the country's major industrialists, he was relaxed enough with a visiting journalist to ask for advice on the phrasing of the letter.

At 42, Aditya Birla runs one of India's longest-established and biggest industrial empires, the Birla Group, which he heads along with his father B. K. Birla. His status is further enhanced by a seat on the board of the Reserve Bank of India.

Group is a misnomer, because Indian anti-monopoly laws bar the establishment of an umbrella holding company with overall control.

Through a complex series of interlocking shareholdings, some held by friends and relatives, son and father control a sprawling network of companies with a turnover conservatively estimated at Rs 25bn (£1.6bn) a year.

Aditya himself runs companies ranging from the long-established Gwalior Rayon and Hindustan Aluminium in India, to nine companies in South-East Asia with interests as diverse as edible oil, carbon black and textiles. The palm oil plant in Malaysia, he says, is the largest in the world.

Aditya Birla: plenty of enthusiasm for India's young Prime Minister

The overseas companies he set up himself, as he did Indian Rayon, the third prong of his domestic empire. Gwalior and Hindustan were passed on from his father.

Rajiv Gandhi's March Budget, with its emphasis on industrial modernisation and liberalisation has boosted Aditya Birla's natural confidence.

Businessmen in countries like India, where industrial success depends crucially on securing the right Government licences, can always be expected to publicly praise the Government of the day.

But Birla's enthusiasm for the young Prime Minister was more than tokenism — "he understands the economic realities of India . . . his policies are sound, pragmatic and visionary," was just one of a whole string of compliments.

The explanation is that he sees the Government industrial liberalisation policies as providing the opportunity for a major expansion of the Birla Group.

"We have plans for cement plants, fertiliser plants, petrochemicals," he says.

But what of the view that the major industrial groups in India had prospered not in spite of, but because of, strict Government regulation — that once a businessman had jumped the hurdle of securing permission to produce something, then he had a licence to print money because there was no competition?

"That may be true of 20 to 30 per cent of companies. But we have proved our ability to compete against the best — the Japanese and the Americans — in South-East Asia."

The high-cost structure of Indian industry, he says, is a direct result of the restrictive Government policies which the Prime Minister is beginning to dismantle.

And what of the huge disparities between rich and poor in India. Did not he, probably a millionaire several times over, feel uncomfortable in a country with so much poverty?

The answer was another question: "Should India seek to pull down the rich or to improve the lot of the poor? Should we distribute poverty or create wealth . . . Let the masses get the benefit of more competition." In other words, what is good for the Birlas is good for India.

It was much the sort of response one might have expected from Aditya's grandfather, G. D. Birla, the founder of the family empire.

PHILIP STEPHENS

### Companies controlled by Aditya Birla

All figures in millions.

| ● Indian companies | Year | Currency | Gross fixed assets | Sales turnover | Pre-tax profit/ (loss) |
|---|---|---|---|---|---|
| Gwalior Rayon | 31.12.84 | Rupee | 3,157.6 | 3,719.6 | 100.9 |
| Indian Rayon | 30.6.84 | Rupee | 1,546.2 | 963.5 | 29.3 |
| Hindalco | 30.12.84 | Rupee | 2,342.0 | 2,855.8 | 111.3 |
| ● Foreign companies | | | | | |
| Thai Rayon | 31.12.83 | Thai Bhatt | 365.3 | 634.0 | (3.9) |
| Thai Carbon | 31.12.84 | Thai Bhatt | 274.0 | 37.3 | (2.9) |
| STPP Plant | | — Not available — | | | |
| PT Indo Bharat | 31.12.84 | Indonesian Rupia | 21,543.1 | 27,313.3 | 4,656.2 |
| PT Elegant | 31.12.83 | Indonesian Rupia | 6,533.7 | 10,872.3 | (487.6) |
| PT Sunrise | 31.12.83 | Indonesian Rupia | 7,948.8 | 11,080.7 | 148.5 |
| Indofil Textile | 31.12.84 | Piso | 86.5 | 187.9 | 12.8 |
| Pan Century Edible | 30.9.84 | Malaysian $ | 33.8 | 487.2 | 9.9 |
| Indo Thai Synthetics | 30.7.84 | Bhatt | 212.8 | 348.4 | 35.0 |

All figures in millions. Source: The Birla Group.

PROFILE: DHIRUBHAI AMBANI OF RELIANCE TEXTILES

# A man of boundless ambition

"YOU MEAN the article which claims that I've got where I am because of links with Mukarjee?" enquired India's textile king. "I'll get you a copy. I've nothing to hide. Besides, in India you don't get anywhere with the help of just one man."

Dhirubhai Ambani is not a man to give a bull a wide berth. He takes it by the horns and shakes it till it lies down. The article Mr Ambani was referring to claimed he had used his close friendship with one of the late Mrs Indira Gandhi's senior ministers to secure licenses and approval for some of the projects which have made his Reliance Textile empire the country's fastest growing industrial giant.

Mr Ambani's links with Mr Pranab Mukherjee, the former finance minister, will certainly not have done him any harm. They should not, however, obscure the fact that Mr Ambani has engineered one of the most remarkable successes witnessed even by India's racy business world.

### Shrewd

Reliance Textile Industries has come from nowhere to sales of Rupees 6.114bn (US$510m) in less than 20 years. Reliance profits in 1977, the year it went public, were Rupees 43m. Last year they reached Rs 953m.

Mr Ambani, a shrewd, extrovert Gujarati with a wicked sense of humour, is a man of boundless ambition. He wants to overtake India's industrial giants, the Tatas and the Birlas, and become the country's biggest company. "I just want to prove that someone who started out with nothing can do it. Just for the hell of it," he says, reclining in a soft white leather armchair in his cool, silent offices in Bombay's frenetic business centre.

Mr Ambani began business life as a junior clerk for a French company managing British oil interests in Aden. Within seven years he was regional sales manager. Then he made his first investment in India. He has never looked back.

He reckons he could actually be India's No 1 by 1986. He plans to invest some Rs5bn in new projects over the next two years which could put Reliance on top. The company is diversifying out of textiles and into petrochemicals in a major way. Besides controlling India's textile market, Reliance may soon dominate the country's detergent market, too.

How has he achieved this?

Political influence has certainly been a factor. Mr Ambani will admit to helping individual politicians along the way — "I believe in helping my friends," he says, but denies assisting any one political party. A long-time business associate says Mr Ambani covers all bets which, in the merry-go-round of Indian politics, is no bad thing.

Advertising has been another. Reliance has its own advertising agency and has turned Vimal, its brand-name, into the first product most Indians ask for when shopping for cloth.

Most of his admirers and even many of his detractors, however, say that what distinguishes Mr Amboni from the rest is his ability to think originally and his courage to put even his most daring ideas into effect.

Sales assistant demonstrating cloth in a Bangalore store

Relianre was the first Indian company, for example, to go in for convertible debentures as a path to growth. When others were borrowing from the state or inviting large institutional investors to take a stake in their companies, Raliance went out into the market looking for the small shareholder. Since 1977, he has looked after those shareholders well. Shares worth Rs10,000 in 1977 are valued at Rs2m today. Last year, Reliance gave a dividend of 40 per cent.

Raltance recently put another Rs500m of convertible debentures on the market. They were heavily over-subscribed within hours when others were having trouble selling their issues.

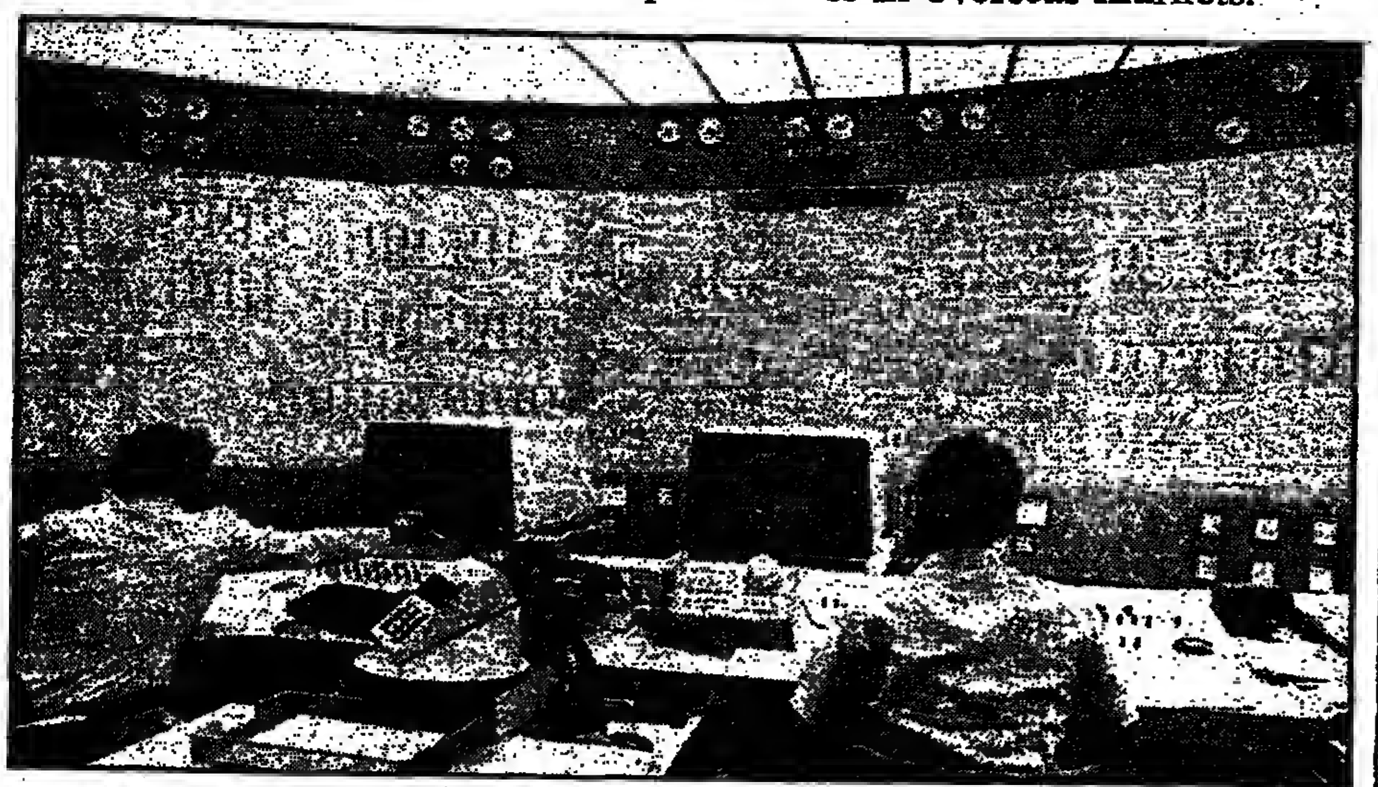
Reliance also pioneered the use of independent outlets and dealers whose loyalty Mr Ambani ensures by the spectacular growth in Reliance shares and products. Another important factor in helping Reliance grow has been the use of highly sophisticated equipment which is regularly replaced making full use of investment allowances.

Reliance industries have also managed to steer clear of labour troubles. Mr Ambani, while looking after his staff and rewarding his senior associates particularly well — many have become very rich — is also something of a slave-driver. Foreign experts who flew out to help build Reliance's 10,000-tonne polyester filament yarn plant at Patalanga, found themselves working on the site so intensively that the plant was completed in 13 instead of 24 months — a feat which impressed even the hard-nosed men from the U.S.'s Du Pont de Nemours.

Where does Mr Ambani go from here? His enemies ("I have many," he says "Every time I change orbit, I acquire new ones"), say that he is in too much of a hurry. In the new climate created by Mr Rajiv Gandhi, India's new Prime Minister, a man like Dhiruhhai Ambani may find it much harder going.

ALAIN CASS

The Government has ambitious new targets for improving industrial growth, efficiency and competitiveness in overseas markets.



India is admitting more foreign technology and equipment into the country that will speed up industrial development. Above, the computerised load-despatch centre at the heart of the Trombay Thermal Power Station

# Bold plans for reform

**INDIA has embarked in the past few months on its most ambitious and wide-ranging series of reforms in industrial and trade policy since the country's independence 28 years ago. While continuing as a planned economy with a system of bureaucratic controls and a major role for the public sector, the Government is trying to improve industrial growth, efficiency and international competitiveness.**

It is doing this by relaxing many industrial controls that inhibit managerial freedom to react to market conditions. It is also admitting into the country foreign technology and equipment that will speed up industrial development, forcing some parts of Indian industry to face foreign competition for the first time instead of being able to produce poor quality, expensive goods for the previously captive domestic market.

## Policies for trade and industry

JOHN ELLIOTT
New Delhi

"The major weakness is our efficiency. Our industries are not as efficient as other industries in the world and certainly not as efficient as we would like them to be.

"Their productivity is low, quality standards are not up to those in the rest of the world. The cost of production is still very high and in many areas there is technological stagnation. These are the challenges that we face today," Mr Rajiv Gandhi told a recent meeting of the Davos-based European Management Forum in Delhi.

The reforms were started by the late Mrs Indira Gandhi in 1980-82 at the start of her last term as Prime Minister. But the steam went out of many of her initiatives although she commissioned reports which have inspired the current reforms.

There is to be a general switch from physical controls to fiscal controls for trade and industrial policy "we want to shift from the discretionary controls where someone in government either rejects or accepts an industrial application to control by tariffs on trade and by credit and fiscal policy on industrial development," says Mr Vishwanath Pratap Singh, Finance and Commerce Minister.

Such a change would enable an industrialist to decide whether to import equipment and start an industrial project on the basis of the cost of import tariffs and bank interest. Up till now, his main concern has been winning licences and approvals from civil servants.

But some trade protection will continue, even though tariffs are being lowered.

### Protection

"We want to expose industry to external as well as internal competition so we do not want tariffs that are too high," says Mr V. P. Singh. "But we must continue with tariffs because some protection is needed by industry in its infancy."

For example tariffs are being cut drastically, for large computers not made in India, to encourage their use by Indian businesses. But high tariffs are being reimposed on goods which are developed and being made in the country to protect them from competition.

The main changes in industrial policy are:

● Introduction of the concept of "broad banding" for industrial licensing. This will allow manufacturers production flexibility to react to customer demand and material shortages without needing government approval.

For example, a manufacturer of a four wheel vehicle such as a heavy lorry providing he does not have to buy foreign technology can switch into car production. Broadbanding has been introduced for: four and two wheel vehicles; machinery for paper and pulp, chemicals, pharmaceuticals and fertilisers; machine tools.

The list is now being expanded into drugs and chemicals, agricultural equipment and other areas.

● A list of 25 industries have been removed from licensing, providing the companies involved do not fall within the orbit of the Monopolies and Restrictive Trade Practices Act (MRTP) or Foreign Exchange Regulation Act, (FERA).

The industries include electronic components, motor ancillaries, cycles, machine tools, industrial sewing machines, office equipment and industrial gases.

● The threshold for company size above which the MRTP restrictions apply has been raised from Rs200m (£13.3m), to Rs1bn.

● The list of industries of strategic national importance where MRTP companies need not apply for lengthy approvals from the Government's Company Law Board is being extended. This major change enlarges the list from ten to 37 industries, bringing in sectors such as iron castings, transmission line towers, electrical motors with starters, ten types of electronic components, pollution control equipment, and machine tools.

All these industries will later be included in the Government's key Appendix One industries which are open to MRTP and FERA companies.

● Existing arrangements for automatically endorsing and enlarging approved industrial capacities are to be renewed and expanded to increase production flexibility.

● A Board for Industrial Revival and Reconstruction is to be set up to implement a policy for the country's 86,000 small and 440 large sick industries. About 10 per cent of the total will be dubbed "incurable" and closed, and the rest will be nursed back to health.

● There are no plans for changing the basic FERA rules on foreign investment although foreign technology and equity is now being encouraged to boost technological development, especially in electronics and telecommunications. The discouragement of the use of foreign trade marks and brand names will also continue.

● Various industries such as tea, leather and parts of engineering are to be identified as "thrust areas" which will receive special concessions and a co-ordinated approach from different Government ministries.

● Relaxations of import tariffs have been announced for various industries, including electronics.

In addition, 201 extra items have been included in the list of capital goods allowed freely into the country by open government licence (OGL). An Import-Export Pass Book Scheme has been introduced to allow manufacturers duty free import of parts for export production.

# The trade deficit widens

**INDIA'S trade gap soared to a record Rs 59.95bn in 1983-84 and, despite the encouraging increase in exports by nearly 19 per cent in the first nine months of 1984-85, the deficit is expected to be much the same as in the previous financial year.**

This is causing obvious concern, although there is no short-term crisis because a strong inflow of capital from non-resident Indians has boosted foreign exchange reserves. But if efforts to close the gap do not succeed over the next few years, it would put a question mark over the liberalisation of imports during the past few years.

## Concern over trade figures

K. K. SHARMA
New Delhi

Having seen the damage to industrial competitiveness that a restrictive policy has inflicted in the past, officials think that any major reversal of trade policies is unlikely.

Indeed, they would like to initiate more, rather than less, liberalisation. What they would like to see is a change in the direction of trade with the main partners so that a better balance of trade bilaterally is reached.

The main example is the U.S., now India's largest trading partner but only by accident. The U.S. accounts for nearly all the exports of crude oil from India's Bombay High offshore oilfield. As a result, exports to the U.S. increased by a seemingly impressive 47.8 per cent in 1982/83 and have shown a high level in 1983/84 and 1984/85 because of this single item.

Yet the trend is deceptive. Exports of crude from Bombay High are due only to the fact that India lacks the refining facilities to process the particular kind of crude produced and until these are established (within a year or two), the oil has to be exported even though India remains a net importer of crude.

Once these processing facilities are established oil exports to the U.S. will dry up and the usual heavy adverse balance of trade against India will return. This is because imports from the U.S. are going up at the rate of roughly 30 per cent annually; and because of the increasing import of high technology and capital and consumer goods from the U.S. As a result of the Government's industrial policies, the Indo-U.S. balance of trade will continue to worsen.

Curiously, the position on Indo-Russian trade is totally different. Trade with the USSR is conducted on the basis of bilateral clearing arrangements envisaging balanced trade in non-convertible Indian rupees. Because of the trade surplus that has emerged in recent years, mainly because of the inability of the Soviets to meet India's needs for technology and capital goods, the objective of bilateral balancing required a temporary adjustment in trade flows.

As a result, India's exports to the Soviet Union declined by nearly 16 per cent in 1983-84, while imports increased slowly by around 8 per cent.

In the last couple of years, the effort has been to achieve balanced trade by a higher level of exports and imports. In the trade protocol with the Soviet Union for 1984 and 1985, a substantial growth in exports was envisaged. This could, if the Russians continue to find themselves as exporters mainly of primary goods like crude and fertilisers, present problems of a different kind than those encountered in Indo-U.S. trade.

Officials concede, however, that India's overall trade problems lie in cutting down bulk imports through higher internal production and stepping up exports so that the global deficit is brought to manageable proportions within a few years, before the country's foreign exchange position deteriorates. They want to use the cushion provided with the present situation to make this possible

India has innumerable schemes and incentives to boost exports and e high level of achievement has been made. Total exports increased by 4.6 per cent in 1980-81 and then by 16.3 per cent in 1981-82 and a further 14.1 per cent in 1982-83 despite the continued deterioration in the international trade environment and increased protectionism in the industrialised countries.

The key items that registered a significant increase in 1983/84 were gems and jewellery, tea, sugar, readyware garments, raw cotton, handmade carpets, cashew kernels and spices.

But these are mainly either primary goods of the traditional kind or items in which India has special skills and a comparative advantage in costs because of low labour charges. Readymade garments and carpets are obvious examples. The more important increases that will be of permanent value, officials recognise, should be those based on the country's industrial capabilities.

### Recession

Unhappily, exports of manufactured goods, such as machinery and transport equipment as well as textiles and jute goods, witnessed a decline in 1983/84. This is only partly due to the recession in the world economy and protectionist policies in the importing countries. There were even some internal factors like industrial unrest.

Yet it is now being increasingly realised that the answer lies in making Indian industry competitive through opening it to battles with potential and actual rivals and forcing it to survive without the protection it has enjoyed. An essential ingredient is to help industry along in its modernisation efforts and hence the stress being placed on imported modern technology.

Should these efforts pay off, the momentum achieved by the traditional exports and those of the newer kind will be matched by exports of a wide range of engineering goods.

Workers move steel sheeting at the Ashok Leyland plant, near Madras

# Fresh initiatives welcomed

## Private sector looks ahead

K. K. SHARMA
New Delhi

***WHEN INDIAN businessmen from all parts of the country met at a convention in mid-May, there was a significant point on which they were unanimous.***

During speeches over three days, many spoke of the "constructive approach" of the new Prime Minister towards the private sector, and it was clear they were hopeful of a new era of co-operation between the Government and the business community.

They had in mind, of course, Mr Rajiv Gandhi's emphasis on "improvement in productivity, absorption of modern technology and fuller utilisation of capacity" which, he says, should acquire the status of a national campaign.

He has also givan an assurance that the Government will open up more areas for the private sector in the interest of full growth of tha economy.

To businessman, this is e refreshing change from tha dominant position given to the public sector in the past three decades and tha rigid controls and bureaucratic delays they have faced. They have taken new heart from tha last budgat which, as Mr D. N. Patodia, the newly-elected President of the Federation of Indian Chambers of Commerce and Industry (FICCI), said — "has, while laying emphasis on growth, for the first time taken a long-term perspective."

What Mr Patodia finds particularly satisfying is the fact that the rednction of effective rates of income and corporate taxes has met a long-felt need for facilitating large internal generation of resources by companies and helped ease the demand constraints through enlarged disposable incomes."

His industrialist colleagues joined him in welcoming the policy packages in respect of industries, such as automobiles and electronics, and the flexibility in product-mix. They also epplauded the facilities for achieving economies of scale, updating technology and the freedom given to industries which, they hoped, would be extended to as many units as possible.

As one laading industrialist says: "the assurances mada by the Government, and tha steps that hava already been taken in that direction, do indicate that the economy will function in a new environment which will facilitate growth and achieve tha objective to which the Government and the country have addressed themselves."

Yet there is a dagree of wariness about the new flexibility that the Government has shown, particularly as spokesmen of the private sector point to a number of areas in which changes are still to be reflected.

"Bold policy initiatives," they say, are needed on further relaxation of administrative controls and industrial licensing, in enabling the so-called "monopoly houses" and companies covered by guidalines of the Foreign Exchange Regulation Act (FERA) to expand and to permit the financial institutions to ease restrictions on competitive forces.

Businessmen think that the tima has arrived for the Government to begin discussions on the precise role of the privete sector, particularly as tha seventh Five-Year Plan has given this a welcome extended role that would require a 10 per cent annual growth rate in private industry if the overall rate of 5 per cent is to be achieved.

FICCI estimates that the financial resources required by the private sector during the five-year period amount to Rs 666bn et 1984 prices.

On the basis of past trends in retained earnings, capital markets, borrowings from the financial institutions and othar sources like commercial markets abroad, the total available may not be more than Rs 497bn, leaving a large gap of Rs 169bn.

The lack of funds to fulfil the role earmarked for them worries businessmen as thay would otherwise be accused of failing to live up to expectations from them. So they wait for other policy changes before making the kind of investment decisions that would be called for if their enthusiasm with the new order was total.

There are three main areas in which the private sector would like to see further policy changes to ensure the 10 per cent annual growth expected of it. The most important is the reduction of the capital output ratio.

The budget for 1985-86 has already moved in this direction by lowering import duties on project imports. Project costs would be further lowered if excise duties on capital goods and equipment are removed.

Secondly, the private sector feels that generation of internal resources, which has shown a decline in the recent past, can be accelerated by reduction in corporate tax rate to 45 per cent without withdrawal of existing concessions, like those on investment allowances.

### Conditions

Finally, the private sector wants tha terms and conditions imposed on loan agreements by tha public financial institutions modified, particularly as regards the debt-equity ratio which should be eased on the viability and capital intensity of the project.

A particularly galling condition has been the clause that enables the financial institutions to convert loans into equity, thus threatening companies with a take-over. This has led to much uncertainty and has held back investment decisions despite official assurances that the clause wil not be used indiscriminately.

In sum, the private sector welcomes Mr Gandhi's initiatives and thinks that major role assigned to it gives it the chance to expand and act constructively to help the country's davelopment. It is keen to take advantage of opportunities offered. But much remains to be done before businessmen can breathe as freely as they would like.

# Expatriates make their mark

## Non-resident Indian investment

DINA THOMSON

FOREIGN collaborations in India are on the increase. But among the largest foreign investors in the country today are those who are not strictly "foreign." Non-resident Indians (NRIs), defined as persons of Indian origin who liva outside India, are beginning to look to the country with more than nostalgia alone.

Last year foreign investment approval granted by tha government to NRIs amounted to Rs 146m. Comparable figures for tha U.S. were Rs 89m, the United Arab Emirates Rs 75m, West Germany Rs 28m, and the UK Rs 18m. Japan invested Rs 61m, almost entirely in the motor industry.

The figures, recently published in tha Department of Industrial Approvals' annual report, reveal the extent of the impact being msde on the industrial scene by NRIs. Their influx into the country has been very recent, and estimates of their equity investment in joint ventures bave been vague.

Whereas in 1981 there was only ona NRI foreign collaboration proposal approved, in 1983 the number rose from 11 the previous year to 20. Last year approved proposals jumped to 48, of which 36 were financial in nature.

### Approvals

NRIs from tha U.S. dominated with 19 approved proposals last year, out of a total 147 collaborations with the U.S. West Germany came a close second with 135, followed by the UK with 126, Japan with 78, France with 38 and Italy with 37 approved collaborations.

Among "foreign" collaborators in India NRIs have an advantage. A NRI is allowed up to 100 per cent equity investment in collaboration which he sets up himself, whereas foreign collaborators are not usually allowed a majority share.

Exceptions can be made in specific circumstances, such as entirely export-oriented projects.

There has, in fact, been a change of attitude towards Indians living sbroad. Whereas the 1970s established the importance of "remittances" from Indians working as contract labour in the Middle East, this year's budget seeks to attract a different sort of NRI altogether.

The March budget abolished death duties, taking eway an onarous tax burden of 85 per cent on assets exceeding Rs 2m. Wealth tax was brought down to a ceiling of 2 per cent, and tha structure of income tax simplified so that the maximum rate is now 50 per cent.

One of the aims of these measures is to try and bring tha "black" economy into the open. But they are also intended to give NRIs an incentive to return — or come for the first time—to India.

"Until now the small fisb have been coming into the country but the big fish have kept out. Now — since the March budget — the big fish have started to come in," says Mr Bhupen Dalal, managing director of Champaklal Investment and Financial Consultancy (CIFCO). In October last yaar, CIFCO announced a link-up with Hill Samuel to invest NRI funds, mostly in the international bond market. It has said it will invest up to 15 per cent of the funds in India. This is one of several tie-ups being arranged by British merchant banks in India to handla funds of Indians living abroad.

India's courtship of NRIs began rather feebly in 1976 when they were allowed portfolio investmant with various restrictions. At that time the definition of an NRI was establisbed as "a person of Indian origin," regardless of nationality.

Rules on portfolio investment were eased in 1982, as part of e widespread effort by the government to offer NRIs an attractive investment package. the issue suddenly became controversial when it became olear that there were no safeguards.

Mr Swraj Paul, a Britisb citizen set in motion an extensive market raid in India through his Caparo group of companies early in 1983. After considerable confusion, the government placed a 5 per cent equity limit on NRI portfolio investment. Mr Paul still has a case pending with the Supreme Court which is due to be ruled on in July.

More recently, Mr M. R. (Mano) Chhabria, a Dubai deeler in Sony electronic equipment who has invaded India's business world, bas ralsed controversy over his $26m purchase of a 38.7 per cent stake in Shaw Wallace.

The suspicion that NRIs are recycling Indian "black money" for themselves or partners living in India by purchasing shares casts a shadow over the involvement of NRIs in the country's economy. Many businessmen argue however, that the benefits far outweigh the pitfalls.

Fifty per cent of all funds deposited in Indian banks is advanced to trade and industry, with the balance in government securities and deposits with the Reserve Bank. Businessmen argue that with $2bn-$3bn in remittances coming from the Gulf alone, India has long needed to encourage NRI investment rather than turn to the International Monetary Fund (IMF) for a $5bn loan as it did in 1982.

In 1984, between $5bn and $6bn from NRIs flowed into Indian banks, ettracted by high deposit rates on foreign currency term accounts.

For NRIs who want to start a first or second business in India, the problems remain considerable, bowever. "They find it very difficult to work in India and get lost in a maze of rules and regulations. Some adjust but others do not," says a senior banker.

Mr Vashu Ramsinghani, a 41-year-old businessman who made his fortune in property and trading in tha Middle East and the U.S., is one of those who expects to adjust successfully.

After 12 years outside India, since 1979 Mr Ramsinghani has been setting up one industrial plant virtually every year. He is now setting up a large petrochemical company — Rama Petrochemicals, with German technological collaboration.

The company was formed in January, with a total investment of Rs 250m. Mr Ramsinghani expects production to begin in October-November 1986, and has plans for a further petrochemical project.

"Now is the perfect time for any non-resident to come back to India. Anyone who does not come back in the next two or three years will miss the boat," he says.

The success of the government's efforts to build a competitive economy with e new climate for industry is expected to infinance strongly the levels of future NRI investment. Like much of Asia, India has suffered from losing some of its best minds to the West. A major influx of expertise could radically change the country's economy.

"There is no reason to believe that Indians will put money into India because of patriotism," says Dr A. C. Shah, general manager of the Bank of Baroda in Bombay. "Political stability and steady growth are the two most important factors in attracting investment. Now we have to see if the policies we bave initiated can work."

### U.S. REMAINS TOP OF LEAGUE

***A BIG JUMP has taken place*** in the number of foreign companies seeking to enter into collaborative projects with Indian partners. Last year the Indian Government approved a total of 752 foreign collaborations compared with 673 in 1983.

An acceleration in the government's economic liberalisation policies has been responsible in the main for ensuring that the trend is continuing upwards. Whereas technical collaboration remains the most popular with foreign companies—473 last year—there are indications that foreign collaborators may be warming to equity investment in Indian projects.

At the same time, India's recognition of its need for foreign investment has been tempered by its determination for self-reliance. The new Prime Minister, Mr Rajiv Gandhi, has, while opening the door to foreign collaboration a bit wider, made it clear that India intends to tap foreign companies for what it needs most—specifically high technology.

The U.S. remains top of the league in terms of collaboration in spite of some impatience by U.S. businessmen with Indian procedures. Other foreign businessmen also find difficulty in coming to terms with bureaucracy, and the slow pace at which the country functions.

In the wake of the liberalisation policies, South Korea and Taiwan, too, have expressed an interest in doing business in India.

# New markets open up in urban areas

## Growth of consumerism

DINA THOMSON

"THE TIME is now ripe in India to move into consumer goods. And foreign industrialists do not have much of a choice. With demand in the west approaching a standstill, soon the only major expanding consumer markets left will be India and China," says Mr Ashok Birla, e leading businessman in the country's biggest family group of companies.

There are those who would disagree. In a country of 740m people, where nearly one Indian in two still lives below the poverty line, most in remote villages, and only 3m people pay taxes, talk of a "consumer boom" can seem, at best, somewhat removed from reality.

It is undeniable, however, thot from electronics to packaged noodles, consumer goods are beginning to be big business in India. Estimates by Indian businessmen and foreign companies displaying e new interest in India place the size of the consumer market as high as 150m people.

The accelerated pace of urbanisation in the country has been accompanied by a rise in disposable incomes as the economy has become more buoyant in recent years. Changing tastes and demands among India's urban population have heen reinforced and shaped by an assault of advertising for consumer goods.

Japanesa companies have recently carried full-page advertisemants in Indian newspapers for consumar goods which are banned for import into the country.

As more Indians hava travelled abroad, particularly to tha Gulf, Europe or the U.S. for employmant opportunities, they have returned laden with consumer durables for their families, bringing in fresh tastes and creating new needs.

Although the great rural/urban divide in the country has reflected very different tastes within a huge population, advances in communication, and particularly the onset of television, have made it easier to market a common product.

"Until very recently you could not reach more than 25m people in the country through advertising and newspapers. A revolution in television in tha past two years has made it possible to reach 70m. The new media has cut across traditional barriers," comments Mr V. Narayanan, chairman of Pond's (India) Ltd.

When the Indian Government allowed the widespread import of colour televisions for a short period before the Asian Games in New Delhi in November 1982, India displayed an almost insatiable demand for them.

### Necessities

The new Prime Minister, Mr Rajiv Gandhi, has made it clear that he believes consumers must be provided with basic necessities and a choice of quality products. As his Government takes decisive steps to liberalise the economy and encourage foreign collaboration, foreign companies are beginning to take another look at India.

Recant changes in economic policies stop well short of opening the door wide, however. They are designed to provide the import of high-technology to meet naeds that cannot he met indigenously. In the field of electronics, encouragement will be given to the manufacturing of consumer items such as digital watches, video recorders and microwave ovens.

Companies ettracted so far range from electronics to those, such as PepsiCo and possibly Coca-Cola, which are interested in tapping the vast consumer market for their bottled soft drinks.

PepsiCo provides an example of a slow, cautious approach to the changing Indian laws on foreign collaboration. The company spent elevan years evaluating the Indian market. At the end of April it submitted a formal application for a joint venture with Duncans Enterprises of Calcutta, owned by the R. P. Goenke family, to promote drinks and fruit processing companies around India.

The operation of a fruit juice factory in the north-western state of Punjab and a strong export commitment may win PepsiCo Government approval for a project that will include the sala of its Pepsi-Cola brand soft drink nationwide.

Pepsi proposes to import the concentrate for Pepsi-Cola and set up bottling plants in India. Voltas, part of the Tata group of companies, is to be involved in the distribution.

If the Government gives PepsiCo the go-ahead, it will be taking the unusual step of allowing a foreign company to bring in a brand-name product.

Indian businessmen suggest that if Coca-Cola—which left in 1977 after a battle with the Indian Government over foreign investment restrictions—were allowed back, it would be partly because of the high visibility of the Coca-Cola brand name, drawing ettention to India's new liberalisation policies.

Foreign and Indian companies alike are finding that collaboration in the burgeoning consumer market can be shown to have a crucial "high-tech" component.

The Kothari Industrial Corporation in Madras announced a joint financial and technical collaboration with General Foods of the U.S. in April to manufacture soluble coffee, vegetable-based protein products and powdered drinks.

The new company plans to market TANG instant breakfast drink in India in the future, and has already started test marketing Kool-Aid under the name Ju-C in Delhi and Bombay.

### Variety

In its case to the Government, Kothari argued the need for technology which General Foods could provide, alongside the henefits of bringing nutritious inexpensive powdered beverages "well within the reach of the masses." Ju-C provides a full day's Vitamin C requirement.

The new company, Kothari General Foods Corporation, also has a 60 per cent export obligation.

Both Kothari General Foods —and PepsiCo if successful—will be taking advantage of the government's new policy of value-added exports from agricultural areas. Instead of exporting fresh fruit, for example, the policy aims to minimise spoilage and increase employment through processing and packaging activities.

Other Indian companies have also been quick to tap the consumer market. Richardson-Hindustan, a Bombay-based company in which Richardson-Vicks of the U.S. has a minority share, is excited about its plans to market ayurvedic over-the-counter medicines for common ailments.

Voltas, mainly a distribution company, has linked np with Johnson Wax of tha U.S. and has just launched a floor cleaner-shiner called "Beauty Floor." It intends to start marketing Raid insect-killer in March-April 1986.

Voltas is enthusiastic too, about the future of "cookies" (as opposed to biscuits) in India. With their higher fat content, they are perceived as more nutritious than biscuits, and come into the category of "fast food."

India has a long tradition of "fast food"—snacks which vary from region to region and are consumed at all times of the day. But as the middle class becomes more westernised, and both husband and wife begin to work, the interest in western-style "fast food" is expected to receive a major boost.

The Indian company, Nirula's has been involved in "fast food" for over a decade. But it now faces competition from India's first foreign fast food restaurant —a Wimpy Bar in New Delhi.

The Wimpy project, including the setting up of the first rastaurant and the building of a specially designed factory outside Delhi, involves an initial investment of $4m. It is franchised by two Indians from United Biscuit's Wimpy subsidiary and could provide a ready market for United Biscuits if it decides to set up joint biscuit venture in India.

Rajiv Gandhi's new approach, seeking industrial efficiency, has yet to be tested

# Pride in social balance sheet

## Public sector dominates the economy

DINA THOMSON

**"YOU CANNOT look at the public sector purely from a profit and loss angle—you have to draw up a social balance sheet," says Mr Harbans Singh, Director General of the Bureau of Public Enterprises, a grouping of all public sector industries.**

The chairmen of a substantial number of India's public-sector companies seem to agree, taking pride in the traditional public sector role of providing employment and encouraging the creation of a wider economic base by investing in so-called "backward areas."

The new Government has yet to spell out its policies for the public sector, but Prime Minister Rajiv Gandhi has made it clear that he would like to see greater industrial efficiency. Some businesses in outdated labour-intensive industries "must be allowed to die," he says.

The adherence by many senior officials in the public sector to social welfare priorities may make life difficult for a new government which is hoping to change the public sector ethos. There are, of course, public sector officials who believe that productivity must be a higher priority than providing jobs, but such sentiments are still expressed with hesitation.

Any signs of a new approach still have a long way to go before they penetrate the actual workings of the public sector, and it is too early to say just how successful Mr Gandhi will be.

The Prime Minister has taken e particularly tough line against managers and financial institutions involved in companies which become serious loss-makers, or "sick units," as they are known in India.

Private sector companies which have become "sick" heve, in the past, been taken over by the Government, which has then wrestled with their difficulties with only the occasional measure of success.

### Protect

"The decision to nationalise e unit has in the past been a purely political decision, with no economic justification. It has been done to show the government is acting, it is pro-labour, it cares about the people," says Mr Singh.

Senior Government officials suggest that in future the government may be a great deal more cautious in taking on "sick" units. But chairmen of public sector companies continue to support the Government's role in the past.

"In order to protect employment the Government has had to take over industries. They are then more like hospitals, but the Government is blamed for their losses," comments Mr K. Krishnamurthi, chairman of Hindustan Petroleum Ltd.

No senior public sector official will deny that there is gross overmanning in its industries. Mr Singh estimates it to be at least to the extent of 25-30 per cent, and possibly more.

"The British steel industry went through an awful period after the war and retrenched 7,000 people—we just can't do that," insists Mr Natwar Singh, Minister for Steel.

There is widespread recognition of the need for the public sector in the areas that are spelt out as reserved for public sector industries in the government's industrial policy. These areas include national security, sectors which reqnire large emounts of investment sucb as steel and those which are judged as development needs.

"It is the nature of things that the public sector will always have to go to areas where the going is tough. But today the government does not have to be in certain areas where the private sector could manage," says Mr Harbans Singh.

At the same time be does not believe that the Indian people would accept a move by the government to privatise industries that are now in the public sector.

The pnblic sector in general is expected to make a total net profit of Rs 9,560m (£637.3m) in the financial year ending March 31, 1985, but the number of enterprises ectually making a profit is few.

With the exception of a few public-sector manufacturing companies—including Hindustan Machine Tools (HMT), Bharat Electronics, Indian Telephone Industries and Hindustan Cables—the majority saw losses or marginal profits in 1983-84.

Out of 217 public-sector companies, about 50 are "sick" companies which the Government has taken over. Of these, only a few, including Andrew Yule, Lagan Jute Machinery, Balmer, Lawrie and Biecco Lawrie have turned the corner under Government management.

Oil and gas earnings continne to dominate the profit-making capabilities of the public sector. In 1983-84 the Oil and Natural Gas Commission (ONGC) led the way for the top ten profit making enterprises for the second year running. Its pre-tax profit of Rs 16,076m amounted to 53.27 per cent of the total pre-tax profit earned by profit-making enterprises.

ONGC's sister companies, Oil India, and Indian Oil Corporation, ranked second and third, with pre-tax profits of Rs 1,979m and Rs 1,440m, respectively.

Of the total pre-tax profit of Rs 30177m earned by 110 profit-making public sector enterprises in 1983-84, 78.26 per cent was contributed by the top ten enterprises. The remaining 102 companies were loss-making in 1983-84.

"The public sector bas been unfairly judged. Glven its other alms, financial results should not be the sole criterion for judgment," suggests Mr Waris Kidwai, secretary of the Standing Conference On Public Enterprises (SCOPE), an organisation representing public sector industry.

In its Seventh Five-Year Plan, India intends a public-sector investment of Rs 1,800bn, despite a serious leck of funds. Of the total losses of Rs 10,003m incurred by the public-sector in 1983-84, 65.25 per cent was eccounted for by ten enterprises.

"You heve to live with overmanning to some extent—and for some time," says Mr Harbans Singh. "You have to try to curtail the workforce while increasing investment, re-orienting production and diversifying to absorb more people in different activities."

The Government is now actively encouraging industrial diversification in the public sector. Bnt although there is e growing desire to draw a line on projected losses in the future, widespread constraints nn productivity remain.

### Judged

Senior officials in the public sector do not deny the existence of political interference and the restrictions imposed by short-term appointments with no clearly defined parameters of individual responsibility.

But they suggest that the existence of such "apologia" in the system makes it virtually impossible to detect true incompetence.

While the need for more professional management with the freedom to take initiatives and be judged by them is widely recognised in the public sector, there is still a great deal of scepticism regarding the possibilities for change.

"Mr Rajiv Gandhi says he is going to keep track of the operations of pnblic sector companies on e computer," says a senior public sector official. "But that technique is not going to tell him how they function—or change the way in which they function. There is no sign that the culture of the Government or the decision-making process has changed."

**Automotive industry production**

| | 1982 | 1983 | 1984 | 1985* | 1986† | 1987† | 1988† | 1989† | 1990† |
|---|---|---|---|---|---|---|---|---|---|
| Two-wheelers | 528,000 | 632,000 | 787,000 | 937,000 | 1.12m | 1.3m | 1.48m | 1.66m | 1.85m |
| Passenger cars and utility vehicles | 42,000 | 43,000 | 46,000 | 78,000 | 100,000 | 110,000 | 125,000 | 135,000 | 140,000 |
| Commercial vehicles | 90,000 | 86,000 | 88,000 | 106,000 | 120,000 | 140,000 | 160,000 | 180,000 | 195,000 |

* Target production. † Anticipated demand.

Source: Department of Heavy Industry; reports, 1984-85.

# Consolidation period follows expansion

## Motor vehicle production

JOHN ELLIOTT
New Delhi

**AFTER THREE hectic years of rapid expansion, dominated by technology from Japan, India's motor manufacturers will soon settle down to a period of consolidation.**

Virtually every Japanese manufacturer of two-wheelers, passenger vehicles and commercial vehicles, has signed agreements for production in India in the three years since Maruti Udyog, a company owned by the Indian Government, set the pace with a 800cc car tie-up with Suzuki.

Ironically, it is only potential producers of passenger cars and four wheel drive vehicles who have major investment decisions outstanding. Various companies, including Ashok Leyland, Mahindra and Mahindra, Telco, Bajaj Tempo and DCM (formerly Delhi Cloth Mills) are considering using relaxations in the Government's licensing system (called broad banding) to diversify into passenger cars from other four-wheeler production.

The Indian Government is unlikely to issue any more production licences. Car production has been licensed for 200,000 vehicles a year. But this can go up under the broad-banding concept with prodncers of other four-wheel vehicles switching some of their production to cars.

A total capacity of about 4m a year has been licensed for two wheelers although the Government's projected demand for 1989-90 is only 1.8m.

The total licensed capacity for commercial vehicles is 315,000 against a projected demand in 1989-90 of 195,000.

But the major task facing the industry is to develop a range of component manufacturing plants which can supply goods at the speed and quality required by Jepanese companies such as Suzuki, Honda, Nissan, Toyota and Isuzu.

Until the Maruti car project became a clearly permanent and viable business last year, few new component manufacturers were prepared to lay down large investments.

So many of the products are still unreliable, in lino with the quality which the Indian publio has accepted for nearly three decades on the country's two old passenger vehicles: the Ambassador, produced by the Birla family's Hindustan Motors and based on the Morris Oxford of the 1950s; and the Padmini, based on the Fiat 1100 and produced by Premier Motors, part of the Walchandnagar group.

However, established manufacturers, linked to European companies such as Lucas, Dunlop and Bosch, bave successfully sold their products to the Japanese newcomers end far fewer Jepanese component manufacturers have set up in India than was feared two years ago by the Europeans.

The gap between what is being produced end what Suzuki is prepared to eccept, however, is so wide that the Jepanese company is likely to insist on heving its five-year indigensation programme extended to seven years. So for 27 per cent of the car is being made in India, 4 per cent behind target.

Poor Indian quality is therefore playing into the hands nf Jepanese companies which would prefer only to assemble vehicles in developing countries, not progressively indigense production.

In addition to the Suzuki-Maruti tie-up which is now producing cars at 4,000 a month, Isuzu and Nissan from Japan have signed two-stage agreements with Hindustan and Premier, first for new engines in old models and then completely new models.

Other Japanese car manufacturers are now talking to the Indian fourwheeler manufacturers who are also in touch with European companies such as Peugeot and Mercedes, and BL's Land Rover operation, ebout possible tie-ups. But the Government is unlikely to sanction foreign collaborations that involve expensive purchase of technology.

The only significant European entry into the market is BL's Rover 2000 which is about to be produced by Standard Motors, an Indian-owned company in Madras. It will be turned out in low enough volume (2,000 cars in the first year and 4,000 in the second) to achieve the quality that is eluding Suzuki.

Some leading industrialists are criticising the Government for admitting too many different makes, which will make standardisation and efficient scales of production difficult. Some companies are likely to close down within a few years, possibly falling even to move out of assembly operations. Others may merge.

But, from the public's point of view, there is for the first time since independence e buyers' market in the India automotive sector.

**Steel sector's performance**

| Profit/loss for integrated steel plants (Rupees in crore) | 1980-81 | 1981-82 | 1982-83 | 1983-84 | 1984-85 projection |
|---|---|---|---|---|---|
| Bhilal | 17.81 | 66.09 | 19.95 | − 2.83 | profit |
| Bokaro | −17.30 | 6.54 | 18.09 | 0.55 | profit |
| Rourkela | 13.97 | −21.72 | −74.99 | −100.32 | profit |
| Durgapnr | − 8.44 | 0.70 | −44.23 | − 63.73 | loss |
| IISCO* | −28.79 | −37.11 | −71.05 | − 24.36 | |
| TISCO | 26.46 | 77.65 | 44.87 | 20.01 | |
| SAIL† | 1.01 | 39.17 | −105.76 | −214.53 | |

* Indian Iron and steel company, West Bengal. † Inclndes (i) Alloy Steel plant, Durgapur; (ii) Salem steel plant and other units.

Source: Ministry of Steel.

The public sector plants have moved into profit but they are chronically under-utilised

# The circle that cannot be squared

## Steel sector's cash shortages

DINA THOMSON

**THE PROBLEMS facing the Indian steel industry are likened by one foreign expert to a circle that simply cannot be squared.**

A shortage of cash prevents the rapid modernisation and rehabilitation of plants that are 25 years old, while delays result in the escalation of costs.

India's five public sector integrated plants suffer from a chronic under-utilisation of capacity prodncing, in broad terms, ebont two-thirds nf overall capacity.

Most of them are in desperate need of modernisation and rehabilitation, but the Steel Ministry's bndget for 1985-86 has been cut by over a third from Rs 14,300m (£953m) last year to Rs 9,250m this year.

The public sector steel industry as e whole made a modest profit estimated at Rs 500m in the financial year ending March 31, 1985. The previous year saw losses of Rs 2,140m, with the Indian steel industry reflecting the world-wide steel recession.

After exceeding its steel production target of 9.17m tonnes for last year, the Government is aiming for a comfortable overall private and public sector production target of 9.9m tonnes in 1985-86. It anticipates a demand of over 20m to 25m tonnes a year by the end of the century.

The Steel Authority of India (SAIL) has been instructed to stop exporting steel in order to make sure that domestic demand is satisfied, and India intends now to meet that demand by modernising its existing plants rather than increasing capacity.

The only major new plant is the 3.4m tonne integrated steel plant being built et Vishakhapatnam on the east coast (also known by its anglicised name Vizag) with initial Soviet collaboration. It is expected to come on stream this year, a long way behind schedule.

But Mr Natwar Singh, Minister for Steel, says that even if Vishakhapatnam and a new plant which might be built at Vijayanagar, in the southern state of Karnataka, were to operate et full capacity, India would still need to import steel at the end of the century.

There has been no concrete action on the Vijayanagar plant since the late Prime Minister, Mrs Indira Gandhi laid the foundetion stone 13 years ago as a political gesture.

### Capacity

Nor has there been any ection on the steel plant in Orissa, originally to be sited at Paradip and then moved inland to Daitari, which was awarded briefly in 1982 to Britain's Davy Mckee in a $125bn turnkey contract that was cancelled.

It is now inconceivable that either Vijayanagar or Daitari will be built as old-style integrated steelworks, but one or the other might go ahead on a smaller scale, possibly using a coal rednction process developed in Austria and Germany by Voest-Alpine.

The Seventh Five-Year Plan for steel is essentially one of "consolidation," says Mr Singh, with Vizag targeted to add 1.5m tonnes to capacity by the end of the decade.

The Government has plans to rehabilitate both Durgapur and the integrated steel plant at Rourkela in Orissa, built with German assistance in 1959. But there is unlikely to be enough money to keep Vizag going while modernising the other two plants. As Vizag has been built with Soviet collaboration, the political compulsions for completing the job are considerable.

India now appears to have ruled out modernisation of either Rourkela or Durgapur on a turnkey basis and intends to maximise Indian participation.

West Germany is still involved with Rourkela and Britain has held repeated discussions with the Indian Government on aid for Durgapur. But no major orders are imminent and the UK's offer of a £100m aid package is no longer under discussion.

India's only private sector integrated unit, Tata Iron and Steel (TISCO), in which Tata exercises management control, has plans for modernisation while gradually diversifying into engineering and possibly coal derivatives. Several major steel price rises introduced in the last 18 months by the government have made more funds available.

Mr S. A. Sabavala, director of TISCO, says "we have been telling the government that if you do with the public sector as you do with us—leave us alone provided we keep within the four corners of policy—they will do a much better job."

### Productivity

TISCO has bad edvantages over the pnblic sector. It has bad continuity of management and has its own coalfields which prodnce coal with a 17 per cent ash content, well below the 20-23 per cent in the Indian coal used by SAIL.

The "extremely good ash with a very high coal content," as it is despairingly described, aggravates the public sector's productivity problems. Labour unrest particularly in Bihar and West Bengal, comes as the final straw to undermine the task of improving capacity utilisation.

A six-week strike in the Bokaro integrated steel plant in the north-eastern etate of Bihar with two furnaces out of five working, fizzled ont last month with a loss of 60,000 tonnes of steel.

"The cumulative effect of losing by-products and inventory build-up could be quite substantial, possibly Rs 400m," says Mr Natwar Singh.

Industrial relations have not been a strong point in the public sector steel plants. Mr Bagaram Tulpule, e former general manager of the Durgapur steel plant, built with British assistance in West Bengal in 1960, places blame firmly with the Government.

"For political reasons the Government kept wanting to take a soft line in most public sector steel plants. So the trade unions started to feel they could push management around and support for local management faced with unpleasant situations was conspicuously lacking," he says.

Senior public sector officials do not deny that over-manning remains a significant problem, but stress that it is productivity which needs to be improved. Mr Tulpule suggests that with plants built on a turnkey basis, the exact operational parameters are not always fully grasped by Indian managers.

With long delays in project decisions and funding approvals the steel sector continues to inch towards modernisation.

"We have turned the corner after two years of losses," says the ever-optimistic Mr Samarapungavan, chairman of SAIL.

One foreign diplomat comments: "It takes so long to complete the modernisation process that when yon are finished, the economic base for it has changed."

The tea crop this year could reach a record 655m kg

# Plea for more incentives

## Tea Industry

P. C. MAHANTI

THE INDIAN Government is worried that the value per unit of tea exports is falling. In 1984, the country earned its highest ever unit value of Rs 34.69 (£2.30) a kilogram and the export earnings from tee roso to a record Rs 7.45bn. That record is unlikely to be repeated.

The Government thinks that if the industry concentrates more on value-added items—such as instant tea, tea bags and packet teas—part of the expected fall can be made up. But the industry says there is a limit to what can be done about raising value-added tea exports. In any case, it saye that the Government's incentives should be more liberal and match those of Sri Lanka which bas been exporting on en everage some 30 per cent of its output in this form, against India's bare 3 to 4 per cent.

India exported nearly 215m kilograms in 1984. Bnt for a Government-imposed ceiling on exports the figure would bave been mucb higher. The ceiling for 1985 is 220m kilograms, although e great deal will depend on the final size of the crop.

According to reports so far, Indie could well achieve the target of 655m kilograms because the extra ontput involved is only 10m kilograms, for which the industry bas sufficient potential already. The crop in 1984 eventually came up to 645m kilograms, far abead of the target and some 58m kilograms more than the crop of the previous year which also was 28m kilograms more than that of 1982.

Thus, India has prodneed an additional 86m kilograms in just two years which, for example, is equal to three-quarters of Kenya's peak production or the entire production of the rest of Africa and that of Indonesia, half of Sri Lanka's total output and double of Bangladesh's best annual crop.

The industry's claim that it has built up the necessary productive protential with funds mostly from its resourcea is, thus, convincingly proved. According to the Indie Tee Associetion figures, the estetes invested 80 per cent of a total of Rs 2.9bn in various forms of garden development between 1971 and 1981.

In 1983-84 alone, it has invested Rs 1.36bn in a crash programme to raise production quickly.

However, the growth rate in production and exports visualised for the Seventh Five-Year Plan now starting will require investment on e much bigger scale than the industry can find from its own resources.

Recognising this the Government's Budget for 1985-86 ellows tea companies to set aside 20 per cent of their pre-tax profits for building a special development fund which can be drewn on in years when the industry is not prosperous or is making inadequate profits. The industry has hailed this as e great concession, but would like the rete of agricultural income tax levied by the producing States appropriately reduced to get the full benefit of the Central fiscal relief.

The Seventh Plan development programme for tea aims at raising production to 760m kilograms and exports tn 281m kilograms in order to maintain the country's present share of 28 per cent of the world market. The programme involves nn investment of Rs 9bn, one third of which the industry is required to provide. The balance will come from public financial institutions, the Tea Board, banks and from the Netional Bank of Rural Development which has been set up specially to look after agro-industries such as tea.

Tea prices have sterled falling. But prnviding the price does not fall below 1983 levels, the industry will continue to earn profits, though at a lower rate, eccording to Mr Mumtaz Ahmad, the immediete past president of the Indian Tee Association. A bouyant and growing domestic market is keeping up the industry's morale.

**India's tea production**

Exports, domestic retention, auction prices and export realisation per unit

| Year | Production kg m | Average auction prices Rs a kg | Exports kg m | Value Rs a kg | Retention kg m |
|---|---|---|---|---|---|
| 1980 | 569.65 | 13.60 | 224.026 | 19.15 | 345.524 |
| 1981 | 560.041 | 13.94 | 241.246 | 18.00 | 318.795 |
| 1982 | 560.732 | 15.60 | 189.896 | 18.70 | 370.836 |
| 1983 | 588.77 | 23.92 | 208.976 | 24.70 | 380.293 |
| 1984 | 645.297 | 28.59 | 214.928 | 34.69 | 430.569 |

Source: J. Thomas and Co., statistics department.

# Scramble for entry into a large market


Soldering circuits at a Madras factory

**IF MR RAJIV GANDHI is trying to initiate India into the 21st century, his most revolntinnary step has been tn make sure that the country catches np with the rest of the world in electronics. a field in which it is far behind.**

He has dnne this by opening the industry to fnreign companies and large Indian industrial houses and encouraged cnmputerisatinn by Government departments and the private sector alike.

## Electronics and computers

D. P. KUMAR, NEW DELHI

The new electronics and computer policies of the Indian *Government have* attracted sufficient interest among foreign companies to cause a near scramble for entry into wbat is undoubtedly a large market. Indians are hearing names they had noted only in advertisements in foreign magazines while bundreds of companies and organisations enter with zest the wonderland of electronics and computers.

Local electronics and computer companies, which had made investments in what they considered a sheltered area, are fearful of the competition but many ere taking advantage of the new liberalisation by entering into collaboration and joint venture agreements. Tbey envisage rapid growth. Usha Microcomputers, for instance, hopes for a 12-fold growth in tbe next five years.

Some big foreign names are showing interest. Hewlett *Packard of the U.S.* and *Seimens* of West Germany are negotiating entry into the manufacture of mini and personal computers.

Burroughs of the U.S. may also join in. Indian firms like India Control Data Corporation, Data General, Digital Equipment and Prime Computers are gearing np for the time after November 1986, when reservation in favour of tha Government-owned electronics corporation comes to an end.

There are, in fact, 27 Indian computer companies, many of them with collaboration agreements with units in the U.S., Britain, France and West Germany, and even the Russians are trying to get into the act.

The potential market is huge. The *domestic Indian Airlines* has belatedly started a much-needed computerised booking service. The giant Oil and Natural Gas Commission is to computerise its operations with a large capacity IBM 3083. Mr *Gandhi has ordered all Govern*ment ministries and departments to be linked to a central system and senior civil servants are somewhat uneasily learning what to do with terminals. Schools are teaching computer science and new jobs are being found as thousands of companies computerise operations.

The new rationalised computer policy, announced a few months ago, will try to enable manufacture in the country of computers based on the latest *tecbnology, at prices comparable* with international levels and progressively increase indigenisation.

It simplifies existing procedures to enable users to obtain computers meeting their requirements, either from within the country or abroad. It also seeks to promote appropriate applications of computers whicb are *of development nature*, with due regard to long-term benefit of computerisation to the country as a whole.

To catch up with the rest of the world and improve technology and lower costs in the electronics industry, the Government is trying to initiate its new policy that has generally liberalised the licensing policy and avoided controls, with no upper limits on capacity and no restrictions of sectoral nature except where *specific* reservations are made on special consideration.

### Stress

Internal production is being encouraged as far as possible, but components which are not produced in the country will be allowed to be imported at low import duties. Stress is being laid on quality and reliability.

Official estimates are that total electronics production in 1984 was worth Rs 18.9bn, *nearly 40 per cent higher than* in the previous year.

*Consumer* electronics registered the *highest growth* at about 78 per cent, followed by component at 32 per cent and computer control and instrumentation at 30 per cent.

But the Indian electronics industry is still small by international standards. Realising the importance and criticality of electronics to national development, a fairly ambitious target of Rs 100bn has been laid down for 1990, the terminal year of the seventh Five-Year Plan.

So far, India has imported nearly 35 per cent of electronic requirements and this has enabled a substantial expansion of the television network, satellite communications facilities and expansion end digitalisation of a telecommunications network.

If future plans are carried through, officials hope there will be a further rapid expansion and a quantum jump in electronics.



# Gap grows between supply and demand


Scraping the bearing on a cylindrical grinder at *Hindustan Machine Tools, Bangalore*

## Demand for machine tools

DINA THOMSON

THE INDIAN machine tool industry is still awaiting the revolution thet will take il firmly into the manufacture of memorically-controlled and computer numerically-controlled (CNC) machines for *which demand is steadily* increasing.

Although Indie succeeded in *bringing down its import* requirement for machine tools from 80 per cent shortly after Independence in 1947, to 30 per cent today, the technological gap between domestic demand and the availability of machine tools is growing. Of the 30 per cent now needed, two-thirds are numerically controlled and CNC high-precision specialised machines.

"The Indian machine tool industry lost five or six crucial years between 1976 and 1981; says Mr S. Kanungo, a joint-secretary in the Department of Heavy Industry. The slowness of the user industries' recognition of the relevance of NC and CNC machines has been both mirrored and matched by the machine tool manufacturers' lack of willingess to manufacture high-technology machines.

While there are more than 2,000 manufacturers of conventional machines, Hindustan Machine Tools (HMT), a public-sector company which is India's largest machine tool manufacturer, remains *one of just three* companies making tha control panels for CNC machines.

HMT is well known for its innovation and willingness to go into technologically more advanced machines. But although Kirloskar and Bharat Fritz Werner in the private sector also make CNC systems, the manufacture of such control panels is described by e senior official in the government department of heavy industry as "in an embryonic stage."

Some eight or nine other companies, including Mysore Kirloskar, Praga Tools and *Walchandnagar* (formerly Cooper Engineering) are manufacturing CNC machines, but not the control panels.

Reluctance on tha part of the private sector to move into high technology is being only *slowly dispelled* by government policy. In July 1983 machine tools were the first industry to be made eligible by the Government for "broad-banding" whereby industrial licences for the manufecture of prodncts were given on a broad rather than a narrow basis to give companies more managerial freedom.

A company manufacturing milling machines for example did not have to go througb bureaucratic red tape again in order to obtain a licence to manufacture borizontal boring machines.

*In the recent budget further* liberalisation was introduced when machine tools were included in a list of 25 industries exempted from all basic licensing procedures.

The Government has also gradually eased the import policy on components for the manufacture of sophisticated machine tools. But anomalies still exist in a policy which aims to supply ebout 75 per cent of the country's requirements of CNC machines indigenously by 1990.

In the 1984-85 budget, import duty on CNC systems was brought down to 35 per cent to enable indigenous manufacturers to build CNC machines at competitive prices. Before that time it was considerably cheaper for a machine tool manufacturer to import an entire CNC machine rather than import the parts for assembly.

Some private eector machine-tool manufacturers feel neglected by the Government's slow changes in industrial and trade policy over the years. The *import duty* on some *critical* components in the manufacture of CNC machines still varies from 75 per cent to 150 per cent. However, the problem is acknowledged et the Department of Heavy Industry, which is currently negotiating with the Finance Ministry to bring that duty down to below 35 per cent.

The Department of Heavy Industry is aiming for 75 per cent of *India's requirement* of CNC machines to be indigenously produced by 1990. Mr Kanungo describes the target as "difficult, but not unattainable."

India's production of mechine tools amounted to Rs 2,750m in value in 1983-84, a growth over the previous year of just 0.9 per cent. The Seventh Five-year Plan suggests a production target of Rs 3,150m for 1984-85, with HMT estimating its machine tool turnover in the year ending March 31, 1985 to be Rs 1,250m.

By the year 1992-93 the *machine tool industry is* targeted to reach a production level of Rs 11,630m. In its Perspective Plan for the machine tool industry (1983-1993), a committee headed by Mr T. V. Mansukhani, the chair*man of HMT*, recommands an everage growth rate of 15 per cent per year.

The Government bas reacted to pleas for more research and development in the industry by setting up the Central Machine *Tool Institute in Bangalore*.

Some machine tool manufacturers in the private sector express concern at what they see as a tendency for foreign colleborators in other industries to snap up machine tool ordera as well.

The collaboration in the automobile industry between Maruti *Udyog and* Suzuki of Japan however, gave HMT a chance to supply it with the necessary components. It was only after HMT proved incapable of satisfying Suzuki on delivery that the company looked to Japan for its machina tools.

Dr S. M. Patil, a former chairman of HMT and a strong independent voice in the industry, is unsparing in his criticism of what he sees as tha industry's lack of courage and bold management. These factors, be says, have been largely reponsible for bolding back the industry.

# Failure to ensure prompt execution of projects

## Electric power shortages

D. P. KUMAR
New Delhi

WHEN, in the mid-1950s, India's first major hydro-electric project, Bhakra-Nangal was built with only 900 Mw capacity, the question was asked what India would do with so much electricity. In the 30 years since then, a chain of large power stations have been built but there ere chronic power shortages. Industry and egriculture suffer for lack of electricity and domestic users in towns suffer in summer months with endless shut-downs.

Industry consumes nearly 60 per cent of the power generated and agriculture another 16 per cent, operating some 3.5m diesel pumpsets. Their working is hampered by acute end continuous power cuts and power remains the major constraint on India's economic growth.

The shortfall in generation is close to some 40bn or about 25 per cent of whet had been planned to be completed by the end of the Sixth Five-Year Plan period, in March this year.

At the current rate of plant load factor, it means a shortfall of some 5,000 Mw of installed capacity.

During the Sixth Plan, new capacity of 14,500 Mw was installed. This bas brought the total generating capacity to nearly *42,000 Mw*.

But actual generation is far less, because of the low plant load factor, which is now 55 per cent, plus transmission and distribution losses. Tbus, et the moment, the actual generation is around 155bn units, and in the current year (1985-86) when another 4,460 Mw is added to the present installed capacity and some plant is modernised, the generation may rise to 170bn units. There will, however, still ba e gap between demand and supply.

Problems include failure to maintain the plant load fector at a high level of efficiency, transmission and distribution losses as high as 25 per cent, failure to implement projects in time leading to sharp cost escalation, and the bad financial state of the state electricity boards.

With power needs rising annually, by between 9 and 10 per cent, India will need by 1989-90 a minimum of 270bn units, wbich requires new cepacity of 30,000 Mw costing Rs 670bn.

There is a debete on the value of hydro-power versus thermal projects. The planning commission belleves that *thermal projects' short* gestation periods are the answer to growing power demands. The Power Ministry thinks otherwise because Himalayan rivers heve a tremendous potential for hydro-power. It has been estimated that northern state of Himachal Pradesh and Arunachal Pradesh alone could produce 40,000 Mw.

But the planning commission is concerned that the power ministry has failed to ensure prompt execution of a number of on-going hydro projects. The planning commission has ruled that money would be provided in the seventh plan for the on-going projects only.

### Capacity

The department has given the warning that, with this policy, no major hydro-power capacity could come up in the eighth plan period either.

Abont two dozen power schemes are being examined by the central Government to see if some of these could be tied up with concessional credit-cum-equipment foreign package. Soviet assistance of 250m roubles has been indicated for Kalgaon project (840 Mw).

The National Thermal Power Corporation, which is sponsoring the major super-thermal power projects, is exploring loan assistance from the World Bank for the Talcher (Orissa) and Muradnagar (Utter Pradesh) projects.

For Muradnagar, it seems, the World Bank is agreeable to extend a loan of $35[illegible]m.

The World Bank has so far committed a total of $2,550m of loan assistance to NTPC.

Three natural gas-based power projects on the 1,718 km HBJ gas pipeline have also been posed to the World Bank for assistance.



# Forced to change down a gear

## Puzzle for the coal industry

P. C. MAHANTI
Calcutta

THE INDIAN coal industry kept up a high 6 per cent annual rate of growth in production during the Sixth Plan period for 1980-85 which ended in March.

Coal India which accounts 90 per cent of the country's production contributed almost all of this growth. It raised production from 100.8m tonnes in tha initial year 1980-81 to 130.8m tonnes in 1984-85.

But just when it was getting geared to step np the growth *rate to achieve the higher* Seventh Plan annual production targets, an adverse development in the form of an abnormal accumulation of pithead stocks at 30m tonnes—the highest in its ten-year-old history—has forced it to change down in gear.

Coal India bas decided to produce just under 137m tonnes instead of over 140m tonnes. Coal India was at first puzzled that having supplied all its major customers—the power and steel sectors and cement and other industries—their stipulated requirements for 1984-85, the pithead stocks were mounting, while industries in tha far-off northern, southern and western regions were complaining about serious shortages.

The despetch figures revealed, bowever, thet the railways carried appreciably less coal during 1984-85 than they did in the previous year when Coal India produced only 121.46m *tonnes. Ironically, tha industry* has the development of a coal mountain, amidst an extensive unsatisfied demand.

If what the observers claim is correct ebout the railways' diminishing carrying capacity, due to growing obsolescence of rolling stock, then the pithead stocks may well increase further, while coal scarcity in some parts of the nation will worsen.

The railways are said to have expressed their inability to carry the required 225m tonnes of coal during the current year. Instead, they say they can manege a maximum of 115m tonnes which is, however, e big improvement on the 103m tonnes carried in 1984-85. Since the railways carry about 75 per cent of the coal produced in India, some alternative forms of transport (by sea or road) *will have to be arranged to* carry at least 10m tonnes which the rail system is unable to handle.

Since distribution is a key part of the coal production process, it is clear that tha expansion of the coal industry, especially in the Seventh Plan, which has just started, will depend on how the transport problem is solved.

Due to massive investments in the Sixth Plan and before, a production capacity of 221m tonnes has been built np and this will rise further, following heavy investment proposed during the current plan.

The Seventh Plan programme of coal production has not been finalised, but the tentative figures are:

| Year | Total industry tonnes(m) | Coal India |
|---|---|---|
| 1985-86 | 152.00 | 137.00 |
| 1986-87 | 193.45 | 169.80 |
| 1987-88 | 209.72 | 183.07 |
| 1988-89 | 228.40 | 200.70 |
| 1989-90 | 248.30 | 217.60 |

Considering the potential for increasing production already built up, it is well within the industry's capability to produce these annual targets. However, a notably weak area will continue to be coking coal, of which the known reserves are limited. The ash percentage is often too high for the steel industry, its principal user. There is a running quarrel between the Steel Authority of India and Coal India as to the exact percentage of ash in the coking coal. The steel sector maintains, that, for the most part, it is 25 to 28 per cent while Coal India claims that the weighted average of asb is now only 19.92 per cent. Both sectors have recently agreed to new joint-sampling procedures.

**Coal production and investment**

| | Total Industry | Production (m tonnes) Coal India | Investment (Rs m) |
|---|---|---|---|
| 1980-81 | 114.0 | 100.9 | 3,816 |
| 1981-82 | 124.2 | 108.9 | 6,200 |
| 1982-83 | 130.5 | 114.8 | 7,840 |
| 1983-84 | 138.2 | 121.4 | 8,940 |
| 1984-85 | 142.0* | 130.8 | 10,050 |

* Provisional
Source: Government estimates.

# Farmers score remarkable success

## Prospects for agriculture

D. P. KUMAR

AGRICULTURE HAS been India's remarkable success story in an otherwise slow-moving economy. It looks all the more spectacular because the achievement in this fiald has been mainly the result of private initiative, thougb boosted by the state which has helped farmers with major irrigation works, numerons fertiliser factories end research laboratories to provide tha farmer modern techniques.

High-yielding variety seeds have been provided, a variety of farm subsidies introduced. Agricultural income is also exempted from taxation.

At the time of Independence, India's foodgrain production was about 50m tonnes. Now it is more than 151.5m tonnes, a three-fold increase in a little more than three decades. In tbat time the population of India has doubled from around 350m in 1947 to over 700m. So, there is a little more food to go around for the people, though not yet enough.

There are always areas of chronic shortages. Indie has stopped importing foodgrains and has even begun making token exports of grains to some Gulf countries.

A stage has been reached when a noted economist, Professor Raj Krishna, is asking for less stress to be laid on the "economy's star performer," the agriculture sector. This is against what the Seventh Plan (1985-1990) Approach Peper proposes. India has achieved s long-term agricultural growth rate of 2.6 per cent over the last 15 years. This is higher than the U.S. growth rate of 1.8 per cent.

Prof Raj Krishna suggests a lower investment on the agriculture sector than is proposed by the planners. He thinks it would be better if the present growth rate is sustained, rather than targetting for a 4 per cent rate in the Seventh Plan, whereby grain production would reach a minimum of 185m tonnes in the terminal year of the Plan.

His view is that it is the industrial front thet needs to be given more ettention, because it is there that the growth rate is not setisfactory.

Tha first major spurt in grain production, part of the "green revolution" took place in 1967-68, bnt was confined mainly to a few "progressive" areas of Punjeb, Haryana and west Uttar Pradesh. Tha "revolution" then continued strongly in the Punjab. The second record grain crop of 151.5m tonnes came in 1983-84 and was tha result of various measures to boost output in the eastern and central states, including eastern Uttar Pradesh, Bihar, Orissa, West Bengal and Madhya Pradesh, where growth rates had been previously relatively low.

A buffalo dairy farm near New Delhi

Production targets are now being raised, not only of cereals, bnt also of other farm products; pulses, oilseeds, sugarcane, potatoes and even fruits.

The new strategy, according to Union Agriculture Minister Mr Buta Singh, is to give more stress on dryland farming as well as general irrigation. The irrigatad area in India is less than 20 per cent of the total cultivable land, and though this is being expanded from year to year, the return is not commensurate.

Nearly 45 per cent of the Increase in grain outpot and nearly 75 per cent of oilseeds and pulses has come in these years from drylands or rain-fed areas. A step-up in dryland farming, research institutes are asserting, is capable of raising production in rain-fed areas by almost half.

Mr Buta Singh thinks thet with en investment of Rs 4,000-Rs 5,000 per hectare, a major improvement can be brought about in dryland farming. A new technology of rice production, under conditions of controlled irrigation and improvement of "land treatment" if adopted, can even treble the present productivity.

Production of larger and larger quantities of cereals is not everything for Indian agriculture, whicb has to grow more of other products such as oilseeds, sugarcane, cotton and jute and mesta for the "revolution" to be truly green. India is importing buge quantities of sugar, cotton and edible oil.

The British were interested in cash crops such as cotton oilseeds, tobacco, rubber and sugarcane. Hence, research was conducted in these crops during the British days in India while research in food crops was neglected. As a result India, had turned into a grain-deficit nation by independence in 1947.

After independence, it was these other crops that experienced the worst deficiency and attention was turned to growing more and more wheat, rice and other grains. The pricing policy of sugarcane or eotton was such that it did not encourage the farmer to grow more of these crops, which has now obviously to ba rectified if more production is desired.

Production targets in the Sixth Plan have not been achieved for pulses, sugarcane, eotton, jute and mesta. The area, production and yield of pulses, a vital good item which is the only other item that probably many Indians can afford to eat with rice or bread, was at its highest in 1975-76.

As for oilseeds, the peak level of productivity was obtained only in 1975-76. For cotton, the highest production level was in 1978-79 end it has not been increased since then.

# Output has almost doubled

## Natural gas industry

R. C. MURTHY
Bombay

PRODUCTION OF natural gas in India bas nearly doubled over the past five years to 4.32bn cu metres in 1984-85 from 2.258bn cu metres in 1980-81. The entire quantity is associated gas from oil fields. Free gas fields that have been discovered have yet to be exploited.

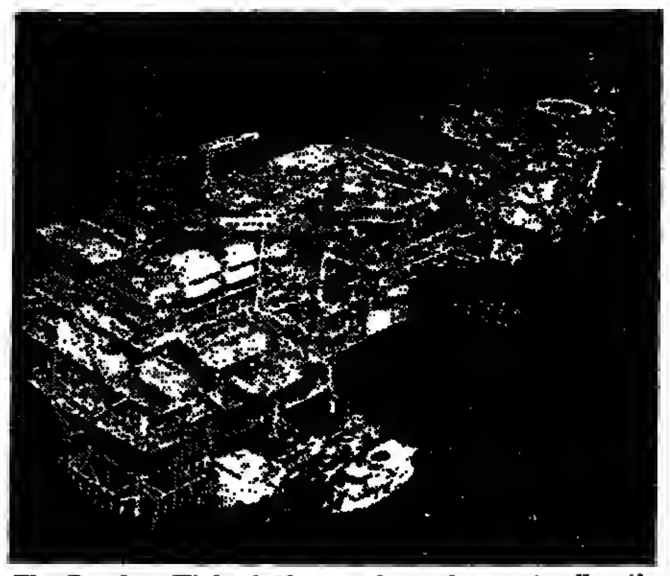
The amount of associated gas available is greater than had been expected. This is partly because India is trying to boost petroleum crude output to cut imports. In addition, the gas-to-oil ratio from Bombay Higb fields, which are the main source of oil now, has ehanged. More C1 and C2 fractions are available, allowing scope for additional fertiliser and petrochemical plants.

Free gas bas not been tapped ao far because there bas not been enougb demand from "priority" consumers involved in chemical fertiliser production and power generation. Non-priority customers can obtain natural gas with a rider that supply may be cut off as end wben priority consumers inerease their offtake.

As exploration is intensified, the Government bas been updating the data on hydrocarbon reserves. Dr A. K. Malhotra, member (production) of the Oil and Natural Gas Commission, says recoverebla reserves of natural gas rose five-fold in 10 years to 478bn cu metres in January this year, against 88bn cu metres in 1975.

In tha next five years, natural gas output is to treble to 14.55bn cu metres. Tba projections envisaga two Government-owned companies—ONGC and Oil India and produeing 9.28bn cu metres this year, of which ONGC will account for 7.62bn cu metres and Oil India 1.66bn cu metres.

Bombay High offshore fields era to contribute nearly two-thirds (6.03bn cu metres) of 9.28bn cu metres of gas prodoction projected for this year.



The Bombay High platform, where the gas-to-oil ratio has changed

### Gas industry forecasts

| | 1985-86 | 1989-90 | Seventh plan (five years) bn cu mtrs |
|---|---|---|---|
| (A) KNOWN FIELDS | | | |
| (1) Onshore: | | | |
| Krishna-Godavari | 0.1 | 0.029 | 0.093 |
| Upper Assam and Arunachal | 2.08 | 1.97 | 10.06 |
| Cambay | 1.06 | 1.11 | 5.48 |
| Cachar-Nagaland | 0.03 | 0.11 | 0.37 |
| (2) Offshore | | | |
| Bombay Higb (free gas) | 1.83 | 7.67 | 27.75 |
| Bombay High | 4.20 | 4.05 | 21.68 |
| (B) NEW FIELDS | | | |
| (1) Onshore: | | | |
| Tripura-Nagaland, Bengal, Cauvery, Himalayan foothills | — | 0.17 | 0.31 |
| (2) Offshore: | | | |
| Andaman, Krishna—Godavari and Mahanadi | — | 0.18 | 0.31 |

Source: Government reports.

Tbis includes 1.83bn cu metres of free gas, wbose availability may be delayed because processing facilities at the landfall point at Hazira, in the western stata of Gujaret, to remova hydrogen sulphida component, will not be ready before the end of the yeer.

A complex of two gas sweetening plants each ef 10m cu metres per day, e sulpbur recovery plant, co-generation plant to produce power and steam and a dew point depression plant to remove moisture from gas is being built at Hazira. The Bombay High gas is to be transported to the foothills of Himalayas in Uttar Pradesh through a pipeline called Hazira-Jegdishpnr (HBJ) pipeline to feed a chain of six new fertiliser plans.

Cambay, in the western state of Gujarat, Krishna-Godavari in the southern state of Andhra Pradesh and Upper Assam, Tripura and Nagaland in north-eastern Indie will be other sources of naturel gas. Industries in Andhre Pradesh are closely wetching the hydrocarbons exploretion. Nagarjuna Fertilisers, now based on napbtha, is ready to switch over to netural gas as feed stock for fertiliser production.

The Government-owned oil companies are planning research on alternative uses of natural gas.

- Rs 20m provision is made for exploring possibilities of converting natural gas into diesel oil.
- Using compressed natural gas at low pressure for partial replacement of kerosene, which is used widely in Indien homes.

If a break-through is achieved, gas reserves in north-eastern India would be fully exploited to increase supplies.

# Prospects of fresh bids from abroad

## The oil sector

K. K. SHARMA

INDIA'S OIL industry has expanded fast sinca the first oil shock in the 1970s but has now slowed down in tha absence ef any really significant new oilfields since Bombay High, in the Western Continental Shelf, came on stream.

Suggestions now being considered include invitation of fresh bids by foreign companies on better terms than offered in the last round (when the response was lukewarm) and also fer tracts that ara more promising and less difficult to explore. These could include some structures onshore, also. Mnch will depend on the final decision on these proposals for the entire oil industry.

Bombay High, explored and eperated by the Government-ewned oil and natural gas commission, remains the main producer. Of the total of nearly 30m tonnes of crude produced in 1984-85, as much as 20.30m tonnes came from this rich discovery.

Since then, there have been peripheral finds in the same offshore region and a few more onshore. Oil has been found at Dahej in Gujarat and Changmaigaon in Assam. Gas was struck at Rokia in Tripura and Kaikular in Andhra Pradesh.

In the offshore areas, oil was struck in structure B-178 on the west coast and KD-1 in the Cauvery Basin.

Yet, despite the intensification of exploratory work by both ONGC and the second Government-owned producing company, Oil India, progress has been markedly slow. In a sense, both companies are now resting on their laurels earned in the 1970s and early 1980s.

In fact, development of Bombay High has been too fast. The country's 12 refineries do not have the capacity to process all of Bombay High's production of crude and, for the past three or four years, a portion has had to be exported.

In 1984-85, for instance, as much as 7m tonnes was exported, mainly to the U.S., even though India still is a net importer of both crude and refined products.

This artificial position will, of course, soon change when refining capacity catches up with crude availability but it shows poor planning that was probably due to hasty contingency plans to cope with the oil crisis in the past decade.

The total refinery throughput in the 12 processing units in 1984-85 was 34.77m tonnes, ranging from nearly 5m tonnes in the Bharat Petroleum Refinery at Bombay to the 52,000 tonnes at the Assam Oil's unit at Digboi.

All 12 are Government-ewned, including those run by the giant Indian Oil Corporation and three ethers taken over more than a decade ago from foreign companies.

The total falls short of India's requirements which are increasing at an average ef around 7 to 8 per cent every year. For this reason, 6.45m tonnes ef refined products had to be imported last year (from Russia and the Middle East).

Plans have been formulated to increase refining capacity. A new refinery is to be established at Karnal in Haryana State with a capacity of 6m tonnes at a cost of roughly $1bn (which includes the augmentation of the Salaya-virangam and Mathura pipeline and its extension to Karnal).

Other units are to be expanded, despite this, because India's energy needs will continue to grow, self-sufficiency in both crude production and refinery throughput is unlikely for some years and dependence en imports ef both will continue in the foreseeable future.

The Government recognises that growth ef the industry will depend on the rapidity with which new oilfields are discovered, particularly in areas distinct from the traditional sources in Gujarat, Assam and the Western continental shelf. Fer this, policy changes are necessary and are expected.

In the past there has been hardly any interest in exploration by foreign companies. Chevron, the only foreign company that started work in the Cambay offshore region, has now pulled out after drilling dry holes.

Foreign companies fight shy of bidding for tracts thrown epen to them, as was the case five years ago, because they think that the really promising structures are being reserved for ONGC and Oil India. These government-owned companies have a monopoly in onshore structures where seismic surveys have been made and also the offshore areas in the Western Continental Shelf and the Mahanadi and Cauvery Basins where eil has already been struck.



# Imports increase as stocks decline fast

## Fertiliser consumption

D. P. KUMAR

MUCH of tha credit for the success in Indian agriculture goes to the use of massive quantities of fertiliser.

The famous Nobel laureate and Professor of Agriculture, A and M University in Texas, Norman Borlaug, says: "It seems incredible that fertiliser consumption in India during 1983/84 could be increased by 21.7 per cent over that in 1982/83, to reach a total consumption of 7.8m nutrient tonnes and result in a bumper grain harvest of 151.5m tonnes."

India, along with Indonesie, have been the only countries in tha Far East to register a continued growth in fertiliser consumption in recent times, according to the FAO.

Producing and importing millions of tonnes of chemical fertiliser and making it availabla to farmers in the remote rural areas has been e major task.

First, Indian farmers used to old methods of agriculture had to be orientated to modern methods of farming. The consumption of fertiisers doubled in 1978/79 to 5.12m tonnes over levels four years earlier. In tha next four years, however, the consumption rose by only 25 per cent.

The two bad drought years, 1979/80 and 1982/83 acted as a break on the growth of fertiliser use. Then there was a record rise in consumption by 1.35m tonnes (taking the total to 7.8m tonnes) in 1983/84—and marking e break from the past trend.

Tha increase was due chiefly to a combination of factors: a favourabla monsoon and a reduction of 7.5 per cent allowed by the Government in fertiliser prices, followed by a further discount ef 10 per cent to clear tha two-year-old stocks accumulated in the Food Corporation of India warehouses.

The uptrend has continued into the year 1984/85, presumably by 10 per cent or so, to a record 9m tonnes in terms of nutrients.

The edequate fertiliser stocks of two years ago have disappeared and a condition of shortage has set in. Last year, the Govarnmant hed to import soma 5m tonnes of fertilisers at an enormous cost of Rs 11,000m-12,000m, because with the entry of China in tha market, prices hardened.

In the current year, it is estimated that an import of at least 2.5 to 3m tonnes will be necessary.

India bas already created a large network of fertiliser plants across the country now prodocing more than 6.05m tonnes of nitrogenous and phosphatic nutrients annually. More than a dozen new plants were conceived as long ago as 1977/78 to meet the widening gap between demand and supply, and many ef them are operating. But there have been delays on six giant plants, each producing 1,250 tonnes of ammonia per day, that are proposed to be run using gas from the Bombay High and Bassein offshore oilfields.

They will be located on the 1,718km cross-country HBJ (Hazira - Bijapur - Jagdishpur) pipeline. But they bave been delayed by controversies on the award of consultancy contracts for the plants, and recently by changes on the contract for constructing tha gas pipeline.

Snamprogetti, e subsidiary of the state-owned ENI of Italy, is winning the fertiliser plant contracts and is a major contender to construct tha pipeline.

The four ammonia plants at Thal Vaishet in Maharashtra end at Hazira may be completed in s year, but tha other six might not come up befora the end of tha decade.

Overall, et the end of the Seventh Plan (in 1989/90), the prodoction will be an estimated 9.1m tonnes, whereas consumption by that time at current trends will not be less than 11 to 12m tonnes, leaving s gap of 2-3m tonnes to be still met through imports.

In order to achieve optimum results out of fertiliser application, the Indian authorities have linked up with the UK in the Indo-British Fertiliser edncation project now operating in 25 districts of six states — Assam, West Beogal, Orissa, Bihar, Uttar Pradesh and Madhya Pradesh. Tha project has run for 3½ years out of its five years, bringing good results.

From e field survey, it is seen that the efficient method of fertiliser use, as demonstrated by IBFEP, has brought to villsges of Orissa a return of Rs9,300 as against the cost of cultivation of Rs 3,350 per hectare. The yield and the profit are "fantastic," say observers. The return per bectare by the usuel method bas so far been Rs 2,250 and the cost of cultivation, Rs 1,800.

Graft is being tackled by a loosening of the industrial and economic controls on which it thrives.

# Moral crusade is launched

## Campaign against corruption

JOHN ELLIOTT
New Delhi

*IN foreign capitals,* international contractors are approached by "collectors" for political bribes running into millions of pounds. In New Delhi, civil sorvants take black money payments for favours, large and small. In the villages of rural India, local government and bank officialo illegally cream-off aid and benefits from the *poor.*

There is also extensive tax evasion, widespread smuggling of gold and othor goods, and a tradition of baksheesh boing expected for virtually every service. Takon together these forms of corruption mako up a large part of India's massive and deeply ingrained black economy which has beon estimated to total approaching half tho size of the official gross national product.

Mr Rajiv Gandhi has lannched a campaign to remove as mnch corruption as possible, linking this with his economic policies of loosening industrial and other controls on which corruption thrives.

### Disapproval

Asked in a recent interview whether he disapproved nf corruption on moral grounds or becanse it impeded economic and industrial development and efficiency, he said:

"I think tho moral side is more important because it permeates into every part of our lives. The practical side gives us dividends."

Dividing corruption into hig and small categories, he said it would be relatively oasy to get at "big corruption"—that is the large amounts of money paid as bribes.

But, he addod: "What is going to be much harder to control is the small chap down in the village where it is difficult for us to find out everything that goes wrong. Bnt wo are trying to build a good feedback system and a system where people will be accountable."

So far the Governmont has taken a number of initiatives. First Mr Gandhi removed some corrupt officials and politicians from key posts. Thon bo reduced industrial and other controls and cot taxes, hoping this would remove many nf the causes and incentives for the payment of bribes and for tax evasion.

There have also been major attacks nn smuggling of gold and othor goods. Offices of diamond dealers and other businosses, particularly in Bombay, have been raidod.

Political donations by companies tn political parties are to be *legalised* to *stop the* parties having to rely for funds on black mnney donations from Indian companies and foreign contractors.

Civil servants and politicians know they are no longor supposed to accopt bribes. One senior Government official in Delhi was offering a year ago to approve a company's industrial project if ho was paid a substantial sum. Tho company refused, and its competitors obtained the approvals instead. Last month an executive from tho company asked tho civil servant if be would accept tho bribe now and give the approval. "Ob no!" came tho reply, "I couldn't do that now."

Probably the civil servant *was being honest and was not* just paying lip-service to Mr Gandhi's wishes. But one cannot be sure. This illustrates ono of the problems with a war on corruption. Those who are asked to pay up, whether they are poor villagors or multinational defence contractors, can never be sure that the person asking for money has roally lost his powor to influonce official decisions. So they are tempted to pay as an insurance, even though Mr Gandhi said in his interview that companies which did so were "being taken for a ride."

There is also now widespread public cynicism in India about tax cuts made in the Budget two months ago which helped the middle class and have consequently become politically unpopular.

"The old tax system made good people evil, but people do not see that tho evil might stop if taxes are cut," says Dr Fredie Mehta, an economist and a director of the Tata group. "They need to be persuaded that lower taxes allow those peoplo who want to be honest, to be honest."

A report prepared for the Government by the National Institute of Public Finance and Policy, hoaded by Dr R. J. Chelliah, a member of the Planning *Commission, explains* that the black economy is built on two types of activities. There is black money linked to legitimate activities—mainly tax evasion and avoidance on logal business transactions. Then there is income generated by illegal activities such as smuggling, the black market and bribes.

But the report, so far unpublished, is believed also to point out that the black economy plays a dynamic role in economic activity.

### Lower taxes

"In an over-controlled society like India, the black economy arguably sorves a necessary purpose. Black money is oil lubricating wheels of tho economy *because it buys decisions* and favours from inefficient, lethargic and corrupt officials who run the controls," says an economist.

The way that officials can be bought was publicly aired earlier this year when a major spy scandal was uncovered. Secret documents were being sold from the Prime Minister's office and *from other top Government* departments to an Indian businessman who pased them on to diplomats from the French and East European embassies. Most of the documents were commercial, relating to government plans and tenders for projects. But more strategic and defence-orientated documents were also handed over, initially for a bottle of whisky and then for hundreds of pounds.

International companies have often paid up to 5 to 10 per cent of a contract price to a "*collector*," sometimes an Indian living abroad, for payment *into India's ruling* Congress I Party. Such a collector would often cream-off money for himself, as would top politicians and civil servants. Services offered would range from a meeting with the late Mrs Indira Gandhi, Prime Minister, to tying up a contract. Money was paid into Swiss bank accounts and then laundered *back into India, as required.*

Smuggling has been encouraged hy shortages of consumer goods. A Somalian diplomat was held at Bombay Airport at the end of April for allegedly smuggling 33 video players, six video recorders, and 100 video tapes valued at rupees 375,000 (£25,000). A year earlier gold "biscuits" worth Rs 5m were found on a Somalian diplomat, whilc *employees of other* embassies have been caught with beroin and electronic goods.

*More than 110 tonnes of gold* are smuggled intn India each year for use as wedding jewellory and as forms of savings in rural areas. Most comes across thc Arabian Sea in boats carrying dates from Dubai and oeizures of gold, worth noarly Rs 112m, were made in the first two months of this year off the Indian coast near Bombay.

Some funds for smuggling are provided by many of the 3m Indians working abroad who receive *high rates of exchange* for money they want to repatriato home by financing the purchase of goods to be smuggled into India. Other methods of repatriating and laundering black money include, it is believed, the purchase of foreign and Indian equity *stakes of* Indian companies.

*A lot more needs to* be done before such *practices stop.* Mr L. K. Jha, a distinguished retired top civil servant and an *advisor to both* Mrs Gandhi and Mr Gandhi, believes the Government should make it oasier for people to switch away from the black economy.

### Smuggling

For example, he says, somo businessmen are scared this year to declare bonest tax *returns because they fear the* tax authorities will use the figures to work out bow much tax has been conoealed in the past. Other people are proposing an amnesty for those who declare their black market activities, perhaps involving a re-issue of bearer bonds sold by the Government a few years ago in return for black money.

India's corrupt traditions started centuries ago. They increased during the World War II and mushroomed when Mrs Gandhi allowed her late younger son, Sanjay, to wield power in the late 1970s.

*Her elder son, Rajiv, says* that one of the things that frustrated him most before he became Prime Minister was the fact that "we just couldn't break through the vested interests."

That is now the challenge he has set himself.

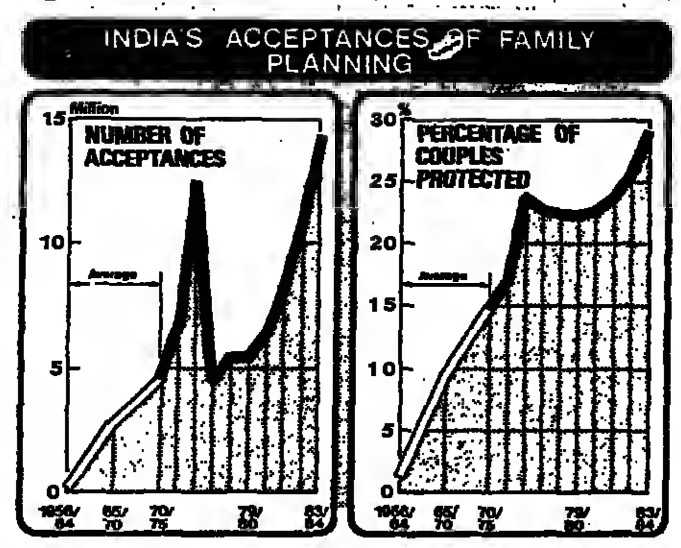
Women workers queue to clock-in for their shift at Lucas ... 

# Population problems return to the agenda

A GOVERNMENT helicopter bovered over the slums of Madras where 1985 has been declared a "Nn Child Year," scattering leaflets which asked: "Why bear unnecessary children?"

More than 4,500 slum dwelling women marched through the southern India *city a few days later demanding "the rigbt to decide"* and "freedom from conception"—a major expression of feminine independence in India's male-dominated society.

A *local motor components* subsidiary of Lucas industries of the UK this year won an award for family planning




The drive for family planning and contraception in India is being stepped-up, encouraged by *Mr Rajiv* Gandhi who says: "Today, our biggest problem is population, getting it under control, because it affects everything we want to do."

The World Bank estimates *that India's population (717m* in 1982) will rise tn between 927m and 994m by tho year 2,000 depending on trends in fertility and mortality rates.

For tbe year 2050, the forecast is 1.4bn to 1.5bn people. *By that time, economists* forecast India's population could have overtaken China's. But India, proud of its democratic freedoms, has no intention of adopting China's compulsory family planning *programme.*

India ran into problems in the lato 1970s when Mr Sanjay Gandhi, Mr Rajiv Gandhi's late brother, ran an aggressive programmo that included forced and coerced malo *sterilisations.* That strategy set progress back for perhaps five years, but now there is a new political consensus and urgency, although tho excesses of the Sanjay period are not forgotten.

"*Until people's social* perceptions change—that they are better off with fewer children and have a better life—you can't get acceptance of contraception: You must havo that social engineering so tho emphasis must be on education, information communication to generate demand for contraception," says Mr R. P. Kapur, the central Indian Government's Commissioner for Family Welfare.

"Unless we can persuade people to plan their families, rather than relying on the *Almighty, we have no future,"* says Mr T. V. Antony, Chief Secretary of Tamil Nadu, whose capital is Madras.

"There was a time, a decade ago, when a family needed a lot of children to ensure enough survived to do the work as parents got older. That has changed.

"And it is *better to spend* money on good communications and on better medical facilities for people accepting sterilisations, such as clean beds and hygienic surroundings than to waste it on high cash-incentives that can be mis-used and attract the wrong people."

The aim of the Tamil Nadu Government is for families to have no more than two children and none after a man reaches the age of 33. Its programme consists of: mass communication, personal teaching improved health and after care services, and protection for children to reduce infant mortality.

In the Lucas factory, jointy owned with a local *group* called TVS, *none of the* top management has more than two children. More than 40 years ago, tho company's chairman had a vasectomy and called in each employee to advise them to have no more than three children.

"We bear about some one having a third child and immediately counsel him and explain the advantages of having no more. They become aware of the need for planned parenthood," says Mr S. Narayanan, personnel manager. Out of 2,716 employees, of whom 2,574 are male, 1,604 have no more than three children.

The aim of the central Indian Government is to increase tho coverage by sterilisation from last year's 29.2 per cent of couples in the 15-to-45 age group (up *from* 2.2 per cent in 1980) to 32 per cent by the end of this year and to 42 per cent by 1990.

The birth rate was 33 per 1,000 population in 1983 and the target for the year 2,000 is 21, with the mortality rate dropping at the same time from 12 per 1,000 to nine. The overall and highly ambitious target for the year 2,000 is a net production rate of unity—so that a couple is only survived by two children.